

Dáil Éireann

An Coiste um Chuntais Phoiblí

Tuarascáil maidir le

**Cuntais Leithreasa 2005; Tuarascáil Bhliantúil ón Ard-
Reachtaire Cuntas agus Ciste 2005; agus Tuarascálacha
Luach ar Airgead an Ard-Reachtaire Cuntas agus Ciste;**

**(Éisteachtaí an Choiste sa tréimhse
Deireadh Fómhair 2006 go dtí Aibreán 2007)**

Samhain 2007

Dáil Éireann

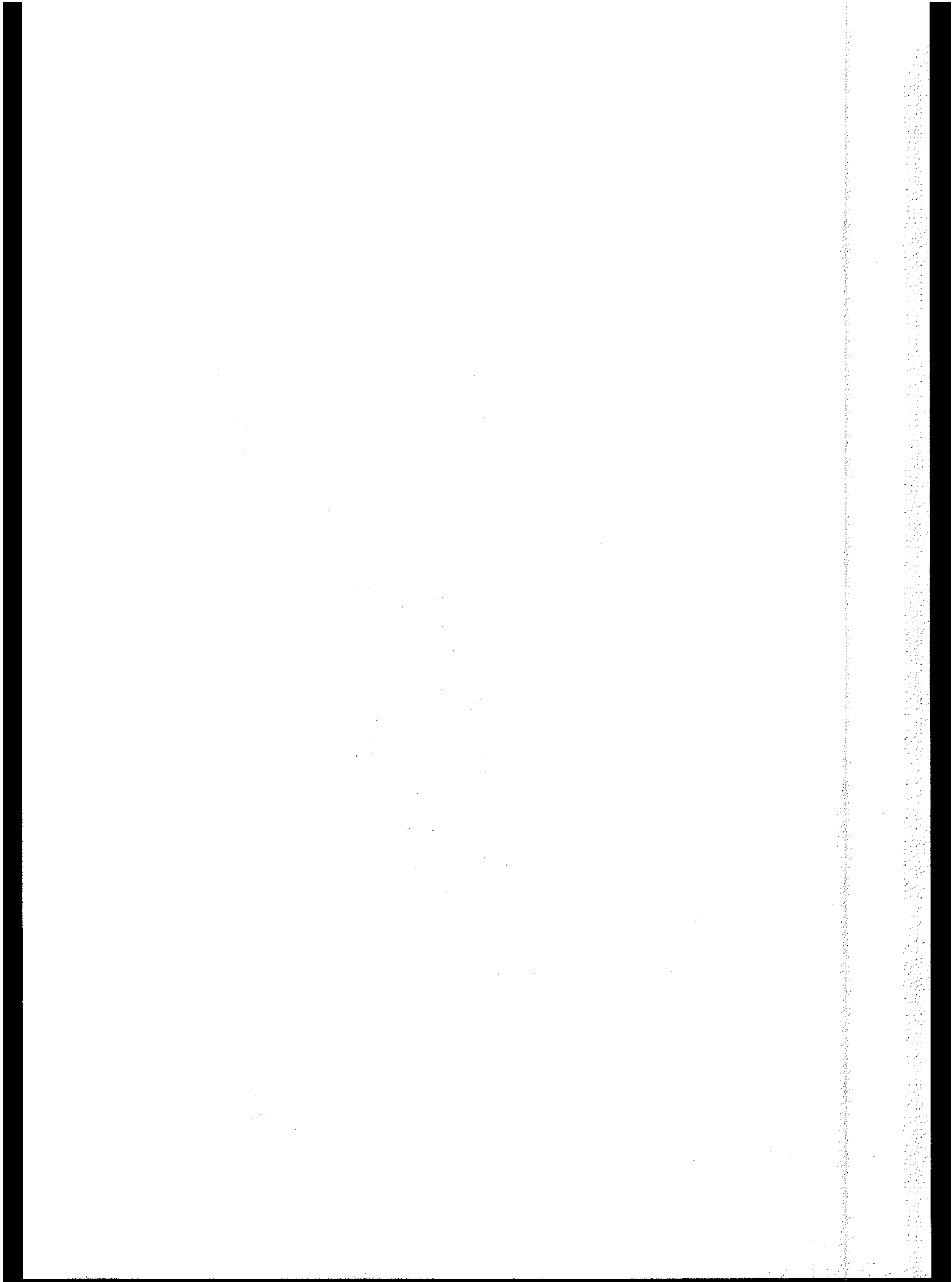
Committee of Public Accounts

Report on

**Appropriation Accounts 2005; Annual Report of the
Comptroller and Auditor General 2005; and Value for
Money Reports of the C&AG**

**(Hearings of the Committee in the period
October 2006 to April 2007)**

November 2007



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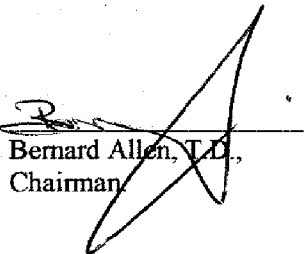
Chairman's Preface

This is the first report of the Committee of Public Accounts of the 30th Dáil. The report deals with issues that were considered by the PAC of the 29th Dáil – specifically meetings of the Committee in the period October 2006 to April 2007.

The report deals with a wide range of subjects covering activities from a number of Government Departments and offices. The matters reported on were contained in the Appropriation Accounts 2005; in the Annual Report of the Comptroller and Auditor General 2005; and in value for money reports undertaken by the C&AG.

Each chapter contains a number of findings and recommendations.

We recommend this report to Dáil Éireann.



Bernard Allen, T.D.,
Chairman

29 November 2007

Members of the Committee of Public Accounts

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Orders of Reference of the Committee of Public Accounts

158. (1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon—
- (a) the accounts showing the appropriation of the sums granted by the Dáil to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act, 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil, together with any reports by the Comptroller and Auditor General thereon:

Provided that in relation to accounts other than Appropriation Accounts, only accounts for a financial year beginning not earlier than 1 January, 1994, shall be examined by the Committee;
 - (b) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and
 - (c) other reports carried out by the Comptroller and Auditor General under the Act.
- (2) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil.
- (3) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.
- (4) The Committee shall have the following powers:
- (a) power to send for persons, papers and records as defined in Standing Order 85;
 - (b) power to take oral and written evidence as defined in Standing Order 83(1);
 - (c) power to appoint sub-Committees as defined in Standing Order 83(3);
 - (d) power to engage consultants as defined in Standing Order 83(8); and
 - (e) power to travel as defined in Standing Order 83(9).
- (5) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee

shall be empowered to print and publish such report together with such related documents as it thinks fit.

- (6) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.
- (7) The Committee shall refrain from—
 - (a) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General, if so requested either by a member of the Government, or the body concerned; and
 - (b) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.
- (8) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.
- (9) The Committee shall consist of twelve members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

The Report

1. Department of Education and Science: Comptroller & Auditor General - Value for Money Report 54 - Educational Disadvantage Initiatives in the Primary Sector

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Ms Brigid McManus, Secretary General, Department of Education and Science and her officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 12 October 2006.

2. Background

- 2.1 The Comptroller and Auditor General undertook an examination of the ongoing efforts and the utilisation of funds allocated to tackle educational disadvantage.
- 2.2 Educational disadvantage arises when impediments to education occur due to social or economic disadvantage which prevent pupils from deriving appropriate benefit from education in schools. It manifests itself in high rates of absenteeism, behavioural problems, poor academic performance, and early school leaving.
- 2.3 Four main initiatives to address social and economic impediments to educational attainment by pupils at primary level have been undertaken during the previous twenty years. €61.8 million was spent on the issue in the 2003 – 2004 school year.

3. Accountability Issues

- 3.1 The accountability issues dealt with by the Committee were:-

- Development of the different schemes
- Use of resources
- Operation of the schemes
- Effectiveness of the scheme.

4. Examination of the issues

Development of the different schemes

- 4.1 Four schemes have been initiated. Firstly, the Disadvantaged Areas Scheme was introduced in 1984. Initially it covered 33 schools in areas of high deprivation and was gradually extended as resources were increased. From 1990 onwards coordinators were appointed to liaise between the school, home and the community. In 1996, Breaking the Cycle was introduced covering 152 schools. This was subsumed into Giving Children an Even Break in 2001. Finally, in 2002, a cluster based School Completion Programme was introduced to combat early school leaving.

- 4.2 The Committee recognised that this strategy needed greater coordination and acknowledged the process of consolidation undertaken by the Department with the introduction from 2006 of its programme Delivery of Equality of Opportunity in Schools.

Use of resources

- 4.3 The Committee was informed that the resources aimed at tackling disadvantage were spread widely – almost 75% of all schools benefited. At school level, 84% of the total resources were geared towards employing extra teachers and home support liaison coordinators. The impact of this was to reduce class sizes.
- 4.4 The Committee was further informed that some schools with a high level of disadvantage were not included in the programme. Further, in schools with the highest level of disadvantage it was found that the percentage of students included in the programme was in the 19% to 29% range.

Operation of the schemes

- 4.5 The School Completion Programme is organised in 82 clusters with each cluster headed up by a coordinator. The coordinator works with individual schools to identify pupils in need of additional support and manages its delivery.
- 4.6 The examination undertaken noted that the National Educational Welfare Board, at that time, was in the process of developing linkages between all of the agencies involved and the schools.
- 4.7 In addition, the Home School Liaison Service did not see itself having a role in relation to attendance. Further, it had problems with some of the families targeted due to either work commitments or substance and alcohol abuse in the households concerned. This had a detrimental effect on the operation of the scheme.

Effectiveness of the scheme

- 4.8 It is possible, to some degree, to evaluate the effectiveness of the scheme by studying changes in the rates of numeracy, literacy and absenteeism. Studies undertaken in 1998 and in 2004 showed that pupils in designated disadvantaged schools had significantly lower average scores than pupils in other schools and that the gap between the two categories of children had grown slightly in the intervening six years.
- 4.9 The Committee also noted that there was a bigger turnover and a greater percentage of unqualified teachers in areas designated as disadvantaged.

5. Adoption of report

The Committee noted Value for Money Report No. 54 – Educational Disadvantage Initiatives in the Primary Sector.

Findings and recommendations

Findings

1. The resources allocated to disadvantage schemes were spread widely. Almost 75% of all schools benefited to some extent.
2. The main impact of the schemes was the appointment of additional teachers which resulted in an improvement in the teacher pupil ratio in the schools affected.
3. The School Completion Programme was not available to some schools with high levels of disadvantage.
4. At the time of the report the National Educational Welfare Board was still in the process of developing linkages between all of the bodies involved.
5. Levels of numeracy, literacy and absenteeism in disadvantaged schools surveyed did not improve between 1998 and 2004.
6. There is a higher turnover and a greater percentage of unqualified teachers in areas of disadvantage.

Recommendations

1. The Department should seek to ensure that schemes are developed so that resources are aimed at benefiting those pupils that are most in need.
2. Efforts should be made to improve the coordination and cooperation between all of the agencies and personnel involved in the delivery of services.
3. The Department should examine mechanisms to reduce the time spent on administration by personnel involved in the School Completion Programme.
4. The Department should continue to explore, with sensitivity, different tools through which measurement and evaluation of standardised numeracy and literacy tests can be undertaken so as to achieve better educational outcomes.
5. Key performance indicators by way of targets of numeracy, literacy and absenteeism levels should be set and progress on them monitored, on an ongoing basis, so as to determine whether the resources allocated are having a beneficial effect.
6. Mechanisms for disseminating information on proven successful interventions should be devised.
7. Schools should be given formal recognition (and possibly some reward) for meeting or surpassing challenging targets.

8. The Department should consider putting in place mechanisms that would allow for a study to be undertaken on individuals who take part in continuing education and adult literacy programmes to determine whether they had been part of specific Departmental programmes aimed at disadvantage at either first or second levels.
9. The Department should explore means by which teachers would be encouraged to seek employment in areas of disadvantage.

**2. Department of Education and Science:
Vote 26 (Office of the Minister for Education and Science);
Chapter 6.1 - Payment of Salary in lieu of Untaken Annual
Leave;
Chapter 6.2 - Institiúid Teangeolaíochta Éireann; and
Chapter 6.3 - Superannuation Schemes**

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Ms Brigid McManus, Secretary General, Department of Education and Science and her officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 12 October 2006.

2. Background

- 2.1 Expenditure by the Department of Education and Science is, since 2004, made from one vote. Previously, the different sectors of the Department's expenditure were divided across four votes.
- 2.2 The Chapter in the Annual Report of the C&AG related to:-
- (i) salary that was paid to a former official in lieu of annual leave that he had not taken;
 - (ii) Institiúid Teangeolaíochta Éireann began a process of liquidation in 2003 which still had not been completed by October 2006; and
 - (iii) the non-adherence by the Department to Agreed Report 4/87 which related to bringing certain provisions of teachers' superannuation schemes into line with other public service pension schemes.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

Payment of salary in lieu of untaken annual leave
The liquidation of Institiúid Teangeolaíochta Éireann
Superannuation schemes
Sites for schools
Residential Institutions Redress Scheme.

4. Examination of the issues

Payment in lieu of untaken annual leave

- 4.1 Rules for the regulation and control of annual leave allowances for civil servants are set out in Department of Finance Circular 27/03. These rules allow payment to be made to civil

servants for untaken annual leave accrued at the date of cessation of employment i.e. resignation, retirement or death. Payment in respect of each day of untaken annual leave should be calculated on the basis of one fifth of the normal weekly salary, irrespective of whether officials are paid on a weekly, fortnightly or monthly basis. The Department confirmed to the C&AG that approval to set aside the provisions of Circular 27/03 had not been sought.

- 4.2 An audit of the Department noted that a payment of €77,586 was made to a senior official who had retired. When the matter was brought to his attention he immediately indicated his wish to repay to the Department the amount that he had inadvertently received. If the provisions of the circular had been implemented correctly he would have been paid for 37 days and not 120. The gross overpayment was €53,664 - the net amount worked out at €29,570. It further transpired that there had been 64 other instances in the previous five years where incorrect payments were made to employees, on foot of untaken leave, on cessation of their employment.
- 4.3 For its part, the Department of Finance confirmed that any untaken leave in excess of that provided for by the Circular should be lost and that there was no provision for payment to be made in such circumstances. In addition, separate arrangements under the Circular allow for payments to be made in respect of untaken leave accrued at the date of cessation of employment within the context of the three year cycle. Subsequent to what was found in the Department of Education and Science, the Department of Finance wrote to other Departments to ascertain whether similar matters have arisen elsewhere.
- 4.4 The Committee acknowledged that informal arrangements often exist within Departments for the provision of extra annual leave in respect of additional hours worked. In cases where an arrangement is made in which leave is granted in lieu of payment but the official in question continues to work overtime but cannot take the leave then the agreement to grant leave ceases. In such cases the leave earned should be treated differently to annual leave.

The liquidation of Institiúid Teangeolaíochta Éireann

- 4.5 Institiúid Teangeolaíochta Éireann (ITÉ) was established in 1972 as a company limited by guarantee without share capital. Its primary objective was: "to initiate, promote, commission and carry out studies, research and experiments on language, language behaviour, language acquisition and the teaching of languages, such work to be primarily concerned with the Irish language, with promoting its development and extending its use".
- 4.6 As a result of a series of internal difficulties it was decided, following an extraordinary general meeting held in July 2003, to liquidate the ITÉ and to that end a liquidator was appointed in January 2004. However, by October 2006 the process had not been completed as some staff remained and the Department continued to allocate funds to the ITÉ. The Department, at the time, was endeavouring to complete the remaining minor tasks and finalise the liquidation.

Superannuation Schemes

- 4.7 The Department did not implement the terms of Agreed Report 4/87 which had been negotiated between it and teachers' representatives. The intention of the Agreement was to bring certain provisions of the teachers' superannuation schemes, affecting teachers who retired on ill health grounds or who died in service, into line with other public service schemes. However this had not occurred. As a result, these pensioners and their spouses were paid less than their full retirement benefits.
- 4.8 The Committee was informed that in the Department's view the Agreed Report was worded in such a way as to be open to misinterpretation and that the difficulties of interpretation were the subject of correspondence between the Pensions Section and the Conciliation and Mediation Section of the Department from October 1988. The matter was compounded by the decentralisation of the Pensions Section from Dublin which led to a number of changes in personnel. Consequently, the matter was overlooked.
- 4.9 In April 2004 the Pensions Unit identified a parallel between the intent of the Agreed Report in regard to primary and secondary teachers and the corresponding local government provisions in another scheme applicable to vocational teachers. The terms of the Agreed Report have since been correctly applied to teachers who have retired on ill health grounds or died in service.
- 4.10 A review of ill-health retirement cases and cases where teachers had died in service since the beginning of the 1986/87 school year had also been undertaken. A total of 655 awards had to be revised. Arrears payments totalling €1.65m were made, in respect of 428 cases, during 2005. In the main, the remaining payments are those where moneys are due to be paid to the personal representatives of deceased beneficiaries. It is expected that the total that will have been paid out on foot of the review will be of the order of €1.9 million.
- 4.11 The Committee also noted, with concern, that the costs of superannuation, in 2005, had been under-estimated by €35 million in respect of primary teachers and €38 million for second level teachers. The Department, for its part, explained that the lack of accuracy in the figures forecasted was due to the difficulty in predicting the number of teachers that are likely to avail of early retirement in any given year.

Sites for schools

- 4.12 The Committee noted the problems encountered, particularly in areas of rapid development, in acquiring sites and building schools. Whilst the Committee acknowledged the partnership that had been developed by the Department with Fingal County Council in identifying and acquiring sites for schools it also recognised that this agreement was in some cases too late.
- 4.13 The Committee recognised that there was an urgent need to have land zoned for educational use at the point of the compilation of a local authority's development plan. The Committee also recognised the need for "educational use" to mean that only and it should not, as is often the case, mean "educational or community purposes".

Residential Institutions Redress Scheme

- 4.14 The Committee was informed that €565 million had been paid out in awards under the scheme. Payments had been made (up to September 2006) in 6,527 cases out of 14,541 applications received. The Committee noted that the amounts awarded in compensation had in recent times continued to decrease from the level that they had been previously. Whilst the average award in December 2005 was €76,000 the average for the first half of 2006 was €63,000. The total cost of the scheme is expected to amount to between €1 and €1.1 billion.

5. Adoption of Accounts

The Committee noted Vote 26 (Office of the Minister for Education and Science) and Chapter 6.1, 6.2 and 6.3 was disposed of.

Findings and recommendations

Findings

1. The Department allowed staff to carry over leave in excess of that allowed under Department of Finance Circular 27/03. Approval to set aside the terms of the circular was not sought from the Department of Finance.
2. Payments were made by the Department in respect of excess untaken leave.
3. The process of liquidation of ITÉ had not been completed more than three years after the decision to liquidate was taken.
4. Substantial arrears of pension payments had to be made following the Department's delay in implementing an agreement into which it had entered.
5. The Department is experiencing severe difficulty in acquiring sites for schools at reasonable prices particularly in newly developed suburbs.
6. The total cost of the Residential Institutions Redress scheme is expected to amount to between €1 billion and €1.1 billion.

Recommendations

1. The Department should have systems and procedures put in place to allow staff to take annual holidays so as to avoid carry-over of leave on a year-on-year basis.
2. Officials who work in units within Departments where compensatory leave is earned in lieu of additional hours worked should not lose their entitlement to avail of this leave.
3. Mechanisms should be put in place to ensure that in future all Department of Finance rules are complied with.

4. The Department should finalise promptly all of the tasks ongoing within the Institiúid Teangeolaíochta Éireann so as to allow for the liquidation of the ITÉ without further delay.
5. In the unusual circumstances of the liquidation of State agencies, such as occurred at Institiúid Teangeolaíochta Éireann, the process should be brought about in a timely manner and with proper regard to correct procedures.
6. When undertaking a process of decentralisation Departments should give priority to having the necessary skilled staff *in situ* prior to the move taking place.
7. The Department should consult with the Department of the Environment, Heritage and Local Government and relevant local authorities to ensure that adequate land in developing areas is set aside for educational use alone.

3. Department of Health and Children: Vote 39 (Health and Children) and Chapter 13.1 - The Post-Mortem Inquiry

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Michael Scanlan, Secretary General, Department of Health and Children and his officials; from Professor Brendan Drumm, Chief Executive Officer of the Health Service Executive; from officials of the Department of Finance; and from the Comptroller and Auditor General on 25 January and on 1 March, 2007.

2. Background

- 2.1 The Department of Health and Children is now responsible for advising the Minister on the overall organisational, legislative, policy and financial accountability framework for the health sector. The Health Service Executive was established in January 2005 and its expenditure and its activities are allocated under a separate Vote from that of the Department. The impact on the Department's Vote is that it has gone from being one of the most significant Votes to being quite modest. The outturn in 2005 was €167 million.
- 2.2 Chapter 13.1 of the Annual Report of the Comptroller and Auditor General relates to the extended timeframe for completing the inquiry into the retention of children's organs and the consequent escalation of cost.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

- Under-spend of the Department's Vote
- National Treatment Purchase Fund
- The Post-Mortem Inquiry - terms of reference
- The extended timeframe of the inquiry
- Cost of the inquiry
- Phase 2.

4. Examination of the issues

Under-spend on the Department's Vote

- 4.1 The Department's outturn of expenditure in 2005 was €167 million - an under-spend on the Vote of €64 million. The Committee was informed that this was due to, firstly, under spending on the part of agencies that are funded by the Department; secondly, the lower than anticipated level of awards made by the Hepatitis C Tribunal; and thirdly, under spending on capital expenditure.

National Treatment Purchase Fund

- 4.2 The Committee noted that expenditure under the National Treatment Purchase Fund amounted to €64 million – exactly its budget allocation. Whilst the operation of the scheme has improved recently some concerns still exist in relation to suggestions that particular clinicians and hospitals are not putting people on waiting lists. The NTPF has endeavoured to counteract this situation by advertising its register more extensively and thus informing the public that it can make direct contact with the Fund.

The Post-Mortem Inquiry – terms of reference

- 4.3 The inquiry was set up to review all post-mortem examination policy, practice and procedure in the State since 1970, and in particular as it relates to organ removal, retention, storage and disposal. It was also to pay specific attention to the way in which these practices were applied in 11 named hospitals. The inquiry was, as part of its study, to examine the hospitals' policies and practices relating to obtaining consent from parents and next of kin.
- 4.4 The inquiry chairman's interpretation of the terms of reference was that she considered that the work would extend to all post-mortem examinations wherever carried out. This set the scope of the inquiry and allowed it to extend to a study of the specifics of individual post-mortem examinations. The scope in the interpretation also extended to all hospitals within the State in which post-mortem examinations were carried out and/or hospitals which requested, directed or authorised post-mortem examinations to be carried out at another location. The interpretation stated that the time limit of six months for the final report no longer applied.
- 4.5 The terms of reference neither set review milestones nor suggested cost effective methods for the collection of data.

The extended timeframe of the inquiry

- 4.6 In 1999 parents of children who had died at Our Lady's Hospital for Sick Children, Crumlin began to query the hospital's practice in relation to the removal and retention of organs. By late March 2000, approximately 1,700 enquiries had been received from parents by the major hospitals. Concerns were expressed that the removal and retention of organs were not covered by informed consent. A particular concern related to the extraction of pituitary glands from deceased children.
- 4.7 In April 2000 the Government decided to establish a non-statutory inquiry which would review post-mortem policy, practice and procedure in the State since 1970 particularly relating to organ removal, retention and disposal. The intention was that the first phase of the Inquiry would culminate in a report which was to be available within six months.
- 4.8 The first phase of the inquiry began in March 2001. By August 2002 the Chairman indicated that a lot more work remained to be done. The work continued until September 2004 when, after a review of ongoing inquiries and tribunals by the Attorney General, the Chairman was requested to complete phase one of the report within six months.

Subsequently 3,500 pages and 54 bankers' boxes of documents were furnished by the inquiry in March 2005.

- 4.9 In May 2005, following the advice of the Attorney General, the Government approved the appointment of a legal expert to prepare a report on key issues relating to post-mortem practice and procedures by 21 December 2005. This report was completed and presented to the Minister by the reporting deadline.

Cost of the inquiry

- 4.10 It was originally estimated that the cost of phase one of the inquiry would be in the order of €1.9 million. However by March 2005 the total cost had risen to almost €13.8 million - €7.7 million of which was in respect of legal costs of the inquiry team. Also, €6.35 million was provided for the HSE's predecessors in the eastern region in connection with the inquiry. The Department does not have information on related expenditure incurred by hospitals and former health boards in other regions. Thus, it is clear that the total expenditure incurred as a result of the inquiry was in excess of €20 million. Further, the report prepared between March and December 2005 cost €436,000.

Phase two

- 4.11 This chapter has highlighted major issues that related to phase one of the inquiry. The Committee was informed that there are no plans at the moment to establish phase two.

5. Adoption of Accounts

The Committee noted Vote 39 (Health and Children) and disposed of Chapter 13.1.

Findings and recommendations

Findings

1. Total expenditure under the Department's Vote in 2005 was €167 million. This represented an under-spend of €64 million on the amount estimated.
2. The operation of the National Treatment Purchase Fund has been adversely affected by some clinicians and hospitals not putting people on the waiting list of the fund.
3. The terms of reference of the Post-Mortem Inquiry were ambiguous which led to them being open to different interpretation.
4. The inquiry did not carry out its tasks within the given timeframe of six months. When, five years later, it eventually concluded phase one it did not furnish a report.
5. The inquiry was expected to cost less than €2 million. The total expenditure incurred, in the end, was in excess of €20 million.

6. The Department has not plans to initiate phase two of the inquiry.

Recommendations

1. The Department should continue to provide necessary assistance to the NTPF so that the fund can be accessible to the most deserving patients.
2. The Department, when establishing an inquiry, should put in place terms of reference that are explicit and unambiguous and therefore not open to different interpretation.
3. Arrangements put in place for individual inquiries should be structured so as to ensure satisfactory completion of the work involved and, where necessary, to have interim reporting mechanisms put in place so ensure step by step progress.
4. Finding suitable accommodation should be a priority when inquiries are established so as to avoid undue delays in the commencement of the inquiries' work.
5. Inquiries should have financial control mechanisms built in, including built in cost effective methods for the collection of data, so as to ensure that they do not run over budget.
6. When the production of a report is a specific requirement of an inquiry payment should only be made to the persons responsible when the completed report has been furnished.

4. Health Services Executive: Vote 40 (Health Service Executive); and Annual Report and Financial Statements 2005

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Professor Brendan Drumm, Chief Executive Officer, Health Service Executive and his officials; from Mr Michael Scanlan, Secretary General, Department of Health and Children and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 25 January and on 1 March 2007.

2. Introduction

- 2.1 The Health Act 2004, which was enacted in December of that year, prescribed the setting up of the Health Service Executive which was established in January 2005. The HSE is responsible for the management and delivery of health and personal social services within the resources made available by the Government. It has its own Vote (40) and it is by means of that Vote that the bulk of expenditure in the health sector occurs.
- 2.2 The format of the Appropriation Account is unusual because the presentation of the figures relies on the structure of the accounting systems inherited by the HSE from the former health boards. In practice, the account is derived from an accruals-based income and expenditure account and balance sheet which are also audited by the Comptroller and Auditor General. Total expenditure under Vote 40 in 2005 was €11.5 billion which includes €1.78 billion transferred to voluntary hospitals and agencies.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

- Financial accountability
- Staff numbers
- Service provision
- MRSA.

4. Examination of the issues

Financial accountability

- 4.1 The HSE, in accordance with the Health Act 2004, is required to produce an annual financial statement and an appropriation account for Vote 40. The appropriation account is derived from the annual financial statement which is prepared on an income and expenditure basis. The Committee acknowledged that the appropriation account and the annual financial statement for 2005 were produced in accordance with the timeframe set down in the Health Act 2004, despite the significant challenges involved in amalgamating

the 17 separate financial control systems. The Committee also noted that the HSE remained within the allocated budget of €11.5 billion. The HSE plans to implement a fully integrated financial system in the coming years.

Staff numbers

- 4.2 The Committee was informed that pay costs represent the single biggest element of the health sector budget. The Committee noted that the employment ceiling of the HSE for 2007 is 108,000. The number employed by the HSE on 31 December 2006 was 106,272 in whole time equivalent terms. The Committee further noted that this was an increase of 7.7% from the time that the HSE was established in 2005. The Committee was also informed that the break down between the different categories of employees was as follows:-

Medical / dental	7,712
Nursing	36,737
Health & social care professionals	14,912
Other patient and client care	16,550
Management / administrative & general support staff	<u>30,361</u>
Total number of employees	106,272

- 4.3 The Committee noted the proportion of nurses in the number of employees. The Committee was informed that from 2006 the annual intake of nurses has been 1,880 students. That compares with fewer than 1,000 in 1998. In addition, An Bord Altranais provided information to the Department showing that 689 requested verification of their qualifications in 2005 so that they could work abroad.

Service provision

- 4.4 The Committee was informed that there were more than 1 million inpatient and day-case discharges from acute public hospitals in 2005; 1.2 million patients were treated in accident and emergency units; almost 2.5 million attended outpatient clinics in 2005; more than 2.5 million are eligible for services under the medical card and drug payment schemes; while in excess of 1.2 million people are in receipt of medical cards or GP visit cards; and, on average, patients visit their general practitioner about six times per year.
- 4.5 The Committee acknowledged that in some cases the figures for 2007 showed an increase in the numbers of patients being treated, for example, 100,000 inpatients and outpatients were seen in the hospital system in January 2007 alone, which is a 7% increase on the figure for the previous year. The number of outpatients treated was up 14% on 2006. The Committee was informed that the HSE is endeavouring to improve matters so that the health services are made more accessible, that patients' confidence in the service is increased, and that the employees involved in providing the service can feel proud of it.
- 4.6 The Committee also noted that the HSE is undertaking a full review of its systems of operation that will take into account not only the age of the population but also the way in which a reorientation of community services can lead to a change in the use to which beds are put. The Committee recognised that average lengths of stay for various procedures are an important factor. It was acknowledged, for example, that at present a patient with acute appendicitis could, depending on the systems that they experience, remain in hospital for

anything from three and a half days to six days. It is thought that there should be an average length of stay that is consistent with international benchmarking standards. Without dealing with that issue the number of beds needed in hospitals will continue to increase. An uncorrected system will simply absorb beds and allow patients to remain in them for longer.

MRSA

- 4.7 The Chief Executive was questioned in relation to MRSA as members of the Committee were of the view that patients being treated in hospitals had a fear that they would end up contracting MRSA. MRSA is one of many hospital acquired infections. The Chief Executive confirmed that patients in hospitals are at greater risk from MRSA. This is due to the fact that if one is particularly ill or has had major surgery one is much more prone to what the infection can do.
- 4.8 The Committee was informed that Ireland has a particular problem with MRSA that is shared by other countries in this region of the world. A study across Ireland and Britain showed that the rates of MRSA here are lower than those in England, Wales and Scotland. However, they are still too high. A small number of northern European countries have very low prevalence rates for MRSA.
- 4.9 The Committee noted that the high prevalence of MRSA is related to antibiotic use over many years and can be brought down only by many years of work on the way in which antibiotics are used. Education programmes aimed at identifying the antibiotic use that causes high incidences of MRSA have commenced among the medical professions. The HSE has also begun to audit the use of antibiotics in hospitals.
- 4.10 The Committee also acknowledged that the most fundamental issue in relation to MRSA is the imposition of strict hand hygiene procedures. The HSE has established a group equivalent to its winter initiative group for accident and emergency departments. It will set performance targets for each hospital across the system regarding changes relevant to MRSA, the number of isolates from wound and skin swabs, as well as the number of blood isolates. In five years it aims to reduce isolates of MRSA in the system by 20%.

5. Adoption of Accounts

The Committee noted Vote 40 (Health Service Executive) and the HSE Financial Statements, 2005.

Findings and recommendations

Findings

1. This was the first occasion that the Vote of the Health Service Executive, which was established in 2005, was examined by the Committee.

2. The HSE, despite the fact that it had to extract financial data from the systems used by all of the former health boards, prepared its appropriation account and financial statements for 2005 in accordance with the timeframe set down in the Health Act 2004.
3. Total expenditure under the Vote of the HSE in 2005 was €11.5 billion which includes €1.78 billion transferred to voluntary hospitals and agencies.
4. The employment ceiling for the HSE in 2007 is 108,000. At 31 December, 2006 the numbers employed was the equivalent to 106,272 whole time persons.
5. 100,000 patients were treated in hospitals in January 2007 – an increase on the corresponding period in the previous year.
6. The high prevalence of MRSA in Ireland is related to the use of antibiotics over many years.

Recommendations

1. The HSE should continue to explore ways of developing services in line with efficient work practices so that better services can be provided within its employment ceiling.
2. The HSE should further examine means that would make access to the health services easier for patients.
3. The HSE should continue to develop average lengths of stay for various procedures based on best international benchmarking standards.
4. The HSE should continue to monitor, on a hospital by hospital basis, the prevalence of MRSA and introduce indicators that would show where improvement has occurred.

**5. Health Service Executive:
Chapter 14.1 – Discretionary Medical Cards;
14.2 – Nursing Home Subventions; and
14.3 – Extra Remuneration**

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Professor Brendan Drumm, Chief Executive Officer, Health Service Executive and his officials; from Mr Michael Scanlan, Secretary General, Department of Health and Children and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 25 January 2007.

2. Introduction

The chapter in the Annual Report of the C&AG related to:-

- 2.1 The discretionary medical card scheme concerns medical cards issued to persons who do not qualify by normal income rules or by right;
- 2.2 The nursing home subvention scheme regarding financial support given to certain eligible persons who avail of private nursing home care; and
- 2.3 Payments and allowances over and above normal wages and salaries paid to individuals employed in the health service.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

- Discretionary Medical Cards - Payments made to doctors
- Regional discrepancies
- Nursing home subvention - Inconsistencies in the application of rules
- Extra remuneration within the HSE.

4. Examination of the issues

Discretionary Medical Cards - Payments made to doctors

- 4.1 An examination of any scheme must first determine the numbers involved. In 2001 it was estimated that approximately 20,000 people had discretionary medical cards. It was agreed that a sum of €2.54 million would be paid to doctors to cover services provided to discretionary medical card holders. In addition, a further €127 per person was allocated to doctors in proportion to the size of their general medical services panel. A year later the Department estimated that this number had risen to 75,000 and directed that additional payments, including arrears for a year, be paid on that basis. The payments made since then under the scheme have averaged €10 million per annum. The Committee was concerned

that there was uncertainty relating to the number of discretionary medical cards that actually existed and it also recognised the knock on effect in the amounts that are consequently paid to doctors.

Regional discrepancies

- 4.2 The Committee noted the results of a study that found that the number of discretionary medical cards issued varied from region to region. The study showed that, even when demographic factors are taken into account, a person is three times more likely to be granted a discretionary medical card in some regions than in others. Whilst the Committee acknowledged that this inconsistency was a legacy from the former health board system it recognised the need for a uniform system to be in place particularly given that one authority is now responsible for the entire country.

Nursing home subvention - Inconsistencies in the application of rules

- 4.3 Eligibility for payment is determined by reference to two criteria, namely, the degree of dependency of a person and a person's means and circumstances. The Committee noted inconsistencies between different regions in the way principal residences were assessed for the purposes of calculating nursing home subventions. In addition, there were widely differing practices in calculating the amount of enhanced subvention payable. In the case of principal residences, some HSE areas did not strictly comply with the rules regarding the occupation of a beneficiary's house by a relative. In the case of enhanced subventions, there were no clear rules about the level of payment that should be made. The amount paid varied depending, to a significant extent, on the area in which a person was living. Some variation would be expected as a reflection of the different conditions in the various HSE areas such as the availability of continuing care beds and the level of nursing home fees in each area. Regardless of these factors there are signs that some people fared better than others because of the different manner in which discretion was exercised in various regions.

Extra remuneration within the HSE

- 4.4 The Committee recognised that the provision of the different services within the health sector involved a significant number of additional payments including overtime, and various allowances for night duty, week-end work and on-call payments. This is borne out by the fact that €585 million was paid out in 2005 in extra remuneration. While the Committee acknowledged that additional payments will probably continue, given the nature of the duties involved, it also stressed the need for the HSE to attempt to devise systems that would minimise the need for extra remuneration payments.

5. Adoption of Accounts

The Committee disposed of Chapter 14.1, 14.2 and 14.3 of the Annual Report of the C&AG 2005.

Findings and recommendations

Findings

1. Payments in respect of 75,000 discretionary medical cards amounted to more than €10 million in 2005.
2. The discretionary medical card scheme was not administered in a uniform manner in all regions of the State.
3. The total amount paid out in 2005 under the nursing home subvention scheme was €109.8 million of which €49.2 million was in respect of enhanced subvention.
4. Surveys showed that there were some inconsistencies in the way in which a principal residence is treated in assessing means for the nursing home subvention scheme and in the amount of subvention paid.
5. Total payroll costs for the HSE in 2005 were in excess of €4 billion of which €585 million can be categorised as extra remuneration.

Recommendations

1. The HSE should determine, as a matter of priority, the number of discretionary medical cards in the State.
2. Payments should only be made to doctors on the basis of the actual number of discretionary medical card holders in their care.
3. All regions of the HSE should have a clear single definition of a discretionary medical card and apply the terms of the scheme in a uniform manner.
4. The HSE should ensure that payment for nursing home subvention is done on a consistent basis in all regions of the State.
5. The HSE, in conjunction with the Department of Health and Children and the Department of Finance, should continue to explore mechanisms for exercising greater control over the amount of payments made to staff under various forms of extra remuneration.

**6. Department of Social and Family Affairs:
Vote 38 (Social and Family Affairs);
Chapter 12.1 – Overpayments; 12.2 - Prosecutions; and
Social Insurance Fund 2005**

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr John Hynes, Secretary General, Department of Social and Family Affairs and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 8 March 2007.

2. Introduction

- 2.1 The Department administers some 50 welfare schemes paid through Vote 38, Social and Family Affairs, and the Social Insurance Fund. In 2005 expenditure on assistance and insurance schemes amounted to €6.3 billion and € 5.46 billion respectively. The Social Insurance Fund had a surplus of €2.4 billion at the end of 2005.

3. Accountability Issues

- 3.1 The accountability issues dealt with by the Committee were:-

- Overpayments
- Prosecutions
- Delays in making payments
- Rent supplement.

4. Examination of the issues

Overpayments

- 4.1 A total of €131 million in overpayments was still outstanding at the end of 2005. The Committee noted the figure and the amount of overpayments made in social assistance and benefits over the five-year period from 2001 to 2005. Up to 2004, there was a general pattern of annual increases in the number of overpayments and their monetary value. This was reversed in 2005 when there was a reduction in the number of people overpaid. The number was down 6,500 from the previous year's high of more than 46,000. The reduction was also reflected in the value of the overpayments recorded in the year. This was down nearly €10 million from €57 million in 2004. Similarly, there were reductions in the number and amount of overpayments attributed to fraud or suspected fraud in 2005. Fraud accounted for 40% of recorded overpayments in 2005.
- 4.2 Further examination of the figures showed that the fall in the value of overpayments was mainly due to a €10 million drop in the one parent family payment category. Experience has shown that this is a high-risk area from an overpayment perspective. There were no dramatic changes on other assistance and benefits schemes.

- 4.3 The Department maintained that the reduction in the number and value of overpayments in 2005 was due to specific control initiatives, such as the introduction of effective debt prevention measures, that ensured that adequate risk-based controls were put in place which minimise error, fraud and abuse and prevent overpayment occurring in the first place; timely identification and effective recording, reporting and monitoring of overpayment and its recovery; and active and effective pursuit of the recovery of debt.
- 4.4 The Committee was informed that the Department has put in place a new computer system that will provide more up-to-date, more reliable and fully reconciled information on overpayments and recovery. The previous I.T. system dated back to 1987. The new system is being put in place as part of the Department's service delivery modernisation project which will gradually be extended across the full range of its services. The new system will help to minimise overpayments.
- 4.5 The Committee noted that, in relation to the recovery of overpayments, the Department's main focus is on large overpayments, particularly those involving a deliberate attempt on behalf of the claimant to receive additional payments. The Accounting Officer also confirmed that it is the policy to pursue vigorously, up to and including legal proceedings, all significant debt.
- 4.6 Members of the Committee expressed concern regarding the increasing use of electronic funds transfer as a means to making payments by the Department. This concern was primarily due to the control risks that become a factor when a system of electronic funds transfers is introduced.

Prosecutions

- 4.7 The Department took prosecution actions in 412 cases during 2005. The vast majority of those cases arose under the unemployment payment schemes and the main ground for prosecution was concurrent working and claiming. The decision to prosecute is based on the circumstances of the individual case and the nature of the alleged offence. Factors taken into account include the duration of the fraud or abuse, and the amount earned by the offender during, for example, a period of working and claiming.
- 4.8 The Committee was further informed that there are issues for the Department in terms of time and the requirements for its inspectors to attend court. This has resulted in the Department being more selective in the cases that it pursues to prosecution. There is a greater focus on the really serious cases.

Delays in making payments

- 4.9 Concern was expressed during the meeting that claimants, on reaching eligibility for certain benefits, often have to wait for a longer period than should be the case. This was particularly the case in relation to retirement pension where it was felt that claimants should make their initial claim some months in advance of their 66th birthday in order to receive their first payment promptly on becoming eligible.

Rent supplement

- 4.10 There were approximately 60,000 recipients of rent supplement, costing €369 million, in 2005. The Committee noted that, while 5,000 people had transferred, at that time, from the rent supplement scheme to the rental accommodation scheme (administered by local authorities), the numbers claiming rent supplement remained about the same.
- 4.11 The Committee noted that the system in place for the payment of rent supplement, whereby the PPS number of the landlord in receipt of the payment may not be known to the Department, allowed for a possible evasion of taxes. Concern was specifically expressed by members in relation to cases where an agent rather than the landlord *per se* dealt with the rented properties in question.

5. Adoption of reports

The Committee noted Vote 38 (Social and Family Affairs) and the Social Insurance Fund 2005. It disposed of Chapter 12.1 and 12.2 of the Annual Report of the Comptroller and Auditor General, 2005.

Findings and recommendations

Findings

1. The amount recorded as overpayments in 2005 was €47 million made up of €36 million from social assistance schemes and €11 million from social insurance schemes. The total amounted to 0.4% of total scheme expenditure in that year.
2. Fraud accounted for 40% of recorded overpayment in 2005.
3. The number of cases forwarded to the Chief State Solicitor's Office for prosecution in 2005 was 412.
4. Persons claiming retirement and old age pensions have experienced delays in receiving payment on reaching eligibility.
5. The surplus in the Social Insurance Fund at the end of 2005 was €2.4 billion.

Recommendations

1. The Department should ensure that developments in its I.C.T. systems keep pace with advances in the various benefit and insurance schemes administered by it.
2. The Department should set clear performance targets for the payment of old age and retirement pensions.

3. The Department should put in place mechanisms that will encourage persons who are approaching eligibility for retirement and old age pensions to make their initial claims in advance of the time that the payments are due so as to receive payment without undue delay.
4. The Department should, in conjunction with the other State agencies involved, put in place mechanisms that will obtain PPS numbers of all landlords who own properties where the tenants are in receipt of rent supplements and not just the details of the agency handling those premises.

7. Office of the Appeal Commissioners Vote 8; Office of the Revenue Commissioners Vote 9; and Chapter 2.1 – 2.10 inclusive

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Frank Daly, Chairman, Revenue Commissioners and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 9 November and 7 December 2006 – and from Mr John O’Callaghan, Commissioner, Office of the Appeal Commissioners on 7 December 2006.

2. Introduction

- 2.1 The meeting of 9 November concentrated on Chapter 2.1 to 2.6 inclusive of the Annual Report of the Comptroller and Auditor General. The second meeting dealt with the remainder of the chapter and with Votes 8 and 9.

3. Accountability Issues

- 3.1 The accountability issues dealt with by the Committee were:-

- Revenue forecasted and collected
- Taxes written off
- Money owed to compliant taxpayers
- Revenue audit programme and special investigations
- International matters
- Capital Gains Tax
- Tax appeals.

4. Examination of the issues

Revenue forecasted and collected

- 4.1 The Committee was informed that net tax receipts in 2005 were €39.49 billion. The corresponding figure for 2004 was €34.78 billion. The Committee acknowledged that VAT was forging ahead of income tax as the biggest single source of revenue and that excise duties were due to overtake corporation tax in third place. Total receipts from these ‘big four’ amounted to more than €34 billion.
- 4.2 The Committee noted that the tax take had increased by more than 11% between 2003 and 2004 and by more than 10% between 2004 and 2005. The point was also made that, if this increase continued at a similar rate in 2006, the increase over a three year period would be more than 30% - far in excess of the increases in people’s wages.
- 4.3 In addition, the increases in tax returns needed to be viewed by the Committee in tandem with the forecasts for tax take which were made at the time of the 2005 Budget. The increase forecasted at that time was of the order of about 5% and led members of the

Committee to question the way in which tax forecasting was undertaken. Notwithstanding the point that the tax take is a function of economic activity the point was further made that forecasts for economic activity are also built into predictions made at the time of the Budget.

Taxes written off

- 4.4 The Committee was informed that a total of €143.3 million was written off in taxes and PRSI in 2005. This was down from €172.5 million in 2004. The decrease is mainly due to a reduction in insolvency write-off following on from an increase in such write-offs in 2004. Almost 78% of the debt written off was more than five years old. The biggest single category within this figure was VAT at more than €48 million. It was also noted that the most costly grouping within grounds for write off was liquidation / receivership / bankruptcy at almost €70 million.
- 4.5 Almost €4 million was written off on an automatic basis due to the fact that the amounts of tax outstanding were small and considered uneconomic to pursue. In numerical terms, these made up the vast bulk of cases written off during the year. At the other end of the scale, the largest single amount written off in that year was €8.2 million in corporation tax. The Committee was further informed that Revenue inevitably experiences some bad debt. Revenue's objective is to minimise this in every way possible and it is only written off when it is genuinely uncollectible or uneconomic to pursue. It was also Revenue's opinion that the amounts written off should be viewed in the context of the amount collected. As a percentage of the total gross tax, including PRSI, collected, the amount written off was approximately 0.25%. The write-offs were examined by the internal audit section of the Office of the Revenue Commissioners for compliance with agreed procedures and were found to be satisfactory.

Money owed to compliant taxpayers

- 4.6 The Accounting Officer was queried on money owed to compliant taxpayers for relief which has not been claimed. Specifically, he was asked to quantify the amount that could be paid back to taxpayers if all benefits were claimed; whether such claims are being filed; and whether it is principally PAYE taxpayers to whom small amounts of money are owed.
- 4.7 Revenue informed the Committee that 485,000 repayments totalling €353 million had been made up to the end of October 2006. It is not possible to calculate what might be claimable. The Committee acknowledged that Revenue had run a high profile campaign during August, September and October of 2006 to encourage taxpayers to claim the relief to which they were entitled. The response has been positive in the main areas — trade union subscriptions, bin charges, rent, home care and dependent relative credits and medical insurance premiums. There have been significant increases in the numbers claiming. In addition there has been an increase in the number of claims made in respect of health expenses but the view was also held that in the normal way taxpayers thought that these types of claims are made at the end of the year or early in the new year. Revenue is making a big effort to encourage people to claim allowances or credits to which they are entitled.

Revenue audit programme

- 4.8 The Committee noted that in 2005 Revenue changed the categorisation of its audit activities to reflect the fact that intervention by Revenue depends on whether the risk is perceived to relate to one or more tax or duty heading or to specific issues or transactions. A total of 14,214 audits and investigations were completed. The total yield from these interventions, including assurance checks, was €575.4 million. In addition to this yield, Revenue officers collected €7.79 million in arrears of tax in the course of audit interventions. Details of 629 of the cases settled in 2005 were published under the provisions of the Taxes Consolidation Act 1997. The total amount of the tax, interest and penalties in published cases was €116.94 million.
- 4.9 Revenue also relaunched its system of random audits. More than 350 cases were examined and the 322 cases that had been finalised at that time had shown an additional liability of about €1.1 million. Revenue is confident that in terms of randomness its programme in 2005 was the best ever and that it will continue to improve.
- 4.10 The audit programme has, in recent years, been somewhat overshadowed by the special investigations undertaken by Revenue. The Chairman informed the Committee that at that time the payments made under special investigations totalled €2.26 billion.

International matters

- 4.11 The Committee acknowledged that the number of double taxation agreements has increased down the years and that Revenue also reviews existing agreements and renegotiates them when appropriate. Further, the Committee noted the efforts being made in recent years to increase the use of exchanges of information internationally. This assists Revenue organisations worldwide to fight crime. While there continues to be problems in this area the Committee recognised that Revenue's performance compares favourably with the EU average.
- 4.12 The Committee also examined the situation in relation to carousel fraud. Carousel fraud involves a trader carrying out business in high-value low-bulk goods (e.g. computer chips and mobile phones) with transactions in the business taking place over a short period. The transactions are often quite complex with the goods passing through a number of businesses within the EU in a circular fashion, and maybe even returning to the original trader, thereby giving rise to the term "carousel". The Committee noted that Revenue employs a specialised team which carries out research, visits traders and exchanges information with other countries. The risk from this type of fraud can be gauged from a case highlighted in the Annual Report of the Comptroller and Auditor General where €5.8 million in outstanding tax was written off where the liability arose due to carousel fraud. VAT fraud, including carousel fraud, is seen as such a major issue at EU level that the Commission intends to launch an in-depth study into it.

Capital Gains Tax

- 4.13 The Committee noted that the yield to the State from capital gains tax had, similar to stamp duty, greatly increased in recent years. Receipts have exceeded the annual Budget forecast

by an average of more than 50% over the last three years. The yield for 2005 was €1.982 billion.

- 4.14 Whilst acknowledging that the links between stamp duty and capital gains tax on individual transactions acted as a cross check, the Committee was nonetheless conscious that it is an area that Revenue should continue to monitor and, if possible, to develop further ICT systems that would help in its policing.

Tax appeals

- 4.15 A taxpayer who is dissatisfied with a decision or assessment made by the Revenue Commissioners has a right to submit an appeal in writing through Revenue to the Appeal Commissioners. Both the Revenue Commissioners and the Office of the Appeal Commissioners have distinct roles in relation to tax appeals assigned to them under the taxes acts.
- 4.16 A separate vote for the funding of the Office of the Appeal Commissioners was established in 2003, with one Commissioner serving as Accounting Officer. Previously, the salaries and expenses of the Appeal Commissioners were paid through the Revenue Vote. The Commissioners are assisted by two support staff. The recruitment of a further staff member was sanctioned by the Department of Finance, but an appointment had, at that time, not been made. The Committee noted that in each of the previous three years about one third of the Office's budget had gone unspent.
- 4.17 The Office of the Appeal Commissioners relies on Revenue for processing financial transactions and for other services such as personnel, training and information technology. These arrangements were formalised in a service level agreement signed in February 2005. In addition, the Appeal Commissioners' web site is maintained by the Irish Taxation Institute. The Committee further noted that the Appeal Commissioners do not issue an Annual Report and have not prepared a statement of strategy or a business plan. Statistical or summary records of cases, outcomes and decisions are not maintained.
- 4.18 In addition, the Committee was informed that the Office of the Comptroller and Auditor General attempted to examine the appeals system by undertaking a case tracking exercise of following sample cases through both the Offices of the Revenue and the Appeal Commissioners. However this exercise did not take place as the Appeal Commissioners sought clarification from the Office of the Attorney General as to whether, given that the cases are dealt with on a confidential basis, information can be made available to the Office of the Comptroller and Auditor General. The Office of the Attorney General has since advised that the C&AG has the right to any information which he requires for the purpose of his constitutional and statutory functions – this includes any such information held by the Appeal Commissioners in relation to the management of tax appeals.

5. Adoption of Accounts

The Committee noted both Vote 8 (Office of the Appeal Commissioners) and Vote 9 (Office of the Revenue Commissioners). Chapter 2.1 to 2.10 was disposed of.

Findings and recommendations

Findings

1. Net tax receipts in 2005 were €39.49 billion. This was an increase of more than 10% on the figure for 2004.
2. The increase forecasted at the time of the 2005 Budget was of the order of 5%. This led the Committee to question the way in which tax forecasting is undertaken.
3. €143.3 million, or 0.25% of the total gross tax take, was written off in taxes and PRSI in 2005. This was down from €172.5 million in 2004.
4. Repayments totalling €353 million had been made up to 31 October 2006 to compliant tax payers. It is not possible to calculate what might be claimable.
5. A total of 14,214 audits and investigations were completed in 2005. The total yield from these interventions, including assurance checks, was €575.4 million.
6. Payments received on foot of special investigations totalled €2.26 billion. These inquiries have, for the most part, concluded.
7. Revenue has a lot of communication with corresponding organisations in other jurisdictions in an effort to make best international use of information which is available to individual countries.
8. The yield from capital gains tax in 2005 was €1.98 billion. Receipts from CGT have more than doubled since 2001.
9. The Office of the Appeal Commissioners has under-spent its budget allocation in each of the three years up to 2005.
10. Appointments, sanctioned by the Department of Finance, had not been made to posts in the Office of the Appeal Commissioners.
11. There is a lack of availability of statistics in relation to the number of tax appeals.

Recommendations

1. Revenue, in conjunction with the Department of Finance, should continue to explore mechanisms that would lead to more accurate tax forecasting.
2. Revenue should continue to seek to make all benefits and credits to which people are entitled better known.

3. Revenue should seek, on an ongoing basis, to increase the amount of data transferred between revenue organisations in different countries and to make maximum use of that information.
4. The Office of the Appeal Commissioners should make the necessary appointments that would enable it to put in place more effective in house administrative procedures.
5. The Office of the Appeal Commissioners should improve the availability and timeliness of statistical information in relation to the cases it handles.

**8. Department of Finance:
Vote 1 (President's Establishment);
Vote 6 (Office of the Minister for Finance);
Vote 7 (Superannuation and Retirement Allowances);
Vote 12 (Secret Service);
Chapter 1.1 – Financial Outturn: Contingency Fund Deposit
Account; and
Finance Accounts 2005.**

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr David Doyle, Secretary General, Department of Finance and his officials; and from the Comptroller and Auditor General on 15 February 2007.

2. Introduction

- 2.1 The Committee was informed that the Exchequer at the end of 2005 showed a deficit of €0.5 billion on its transactions for the year. That was after paying €1.32 billion into the National Pensions Reserve Fund. The national debt at the end of 2005 stood at just under €38.2 billion.

This section of the Committee's report concentrates on the main issues considered from a wide ranging agenda.

3. Accountability Issues

- 3.1 The accountability issues dealt with by the Committee were:-

- Pensions
- Economic forecasting
- Budgetary and estimates processes
- Cost of tribunals.

4. Examination of the issues

Pensions

- 4.1 The Committee noted that the net outturn on Vote 7 (Superannuation and Retirement Allowances) was about €40 million less than had been originally provided. Similar over-provision had also been noted in previous years. The Accounting Officer informed the Committee that the provisions under this heading tend to be somewhat uncertain due to a number of varying factors such as life expectancy and the proportion of people over 60 that may retire. Whilst there is a cohort of about 2,500 that could apply at any time the fact is

that about 600 to 800 people retire every year. The Department has, from 2007, amended its requirements under this heading to tailor them more closely to actual requirements.

- 4.2 The Committee was further informed that about 14,000 Civil Service pensioners are paid from the Vote, but that there are a further 75,000 pensioners right across the public service, such as retired gardaí, teachers, members of the Permanent Defence Forces and so on. Therefore, there are about 89,000 pensioners on the Exchequer payroll, the cost of which is close to €2 billion. That bill is set to double in real terms over the next 20 years, even before allowance is made for any real increases in pay. This is due to the expansion in the public service in the 1970s, 1980s and early 1990s. The number of pensioners, therefore, coming through will increase significantly.
- 4.3 A number of initiatives were taken following the report of the Commission on Public Service Pensions to address some of those costs in the long term. One of the main initiatives introduced was that the minimum pension age, for new entrants into the public service from 2004, would be raised to 65. At present it is 60 years of age but a staff member may continue until 65. In addition, there are approximately 400,000 people of pension age on the books of the Department of Social and Family Affairs, either through the non-contributory or contributory schemes. The gross cost of their pensions is close to €3 billion.
- 4.4 It is known that the number of persons over 65 in the population will increase dramatically - from approximately 500,000 now to approximately 800,000 in 20 years time, and the figure will be well in excess of 1 million by 2050. This will have major implications for social welfare pensions and for the health services.
- 4.5 The National Pensions Reserve Fund, which was established some years ago in anticipation of this demographic bulge, contains approximately €19 billion and is increasing at a rate of 1% of GNP in contributions annually, plus earnings on investments. It will meet part of the bill associated with the costs arising from the growth in the elderly population.

Economic forecasting

- 4.6 The Committee was informed that forecasts are initially prepared by the Department of Finance on the basis of estimates prepared by the Revenue Commissioners, who largely operate on the pattern in the current year and also taking account of the Department of Finance forecasts for the economy and the various elements within it. A range of variable factors feed into the forecasts.
- 4.7 The Department is cautious given the fact that forecasts are inevitably fraught with difficulty due to the many uncertainties and variables that exist. VAT, income tax, corporation tax and excise duties account for almost 87% of total taxes. Consequently, when the economy is doing well, there will usually be a surplus above the forecast and *vice versa*. The main reason for the difference in recent years between the forecasts and the outturn has been the strong growth in capital taxes and stamp duty. However, the Committee was further informed that the Department has not made decisions on the public finances based on an assumption that these receipts will continue to grow at similar rates in the future.

- 4.8 The Department has set up a group chaired by a Central Bank economist and involving participation with the ESRI and the European Commission which has a particular expertise in cross-euro zone forecasting. This group is conducting a root and branch assessment of the Department's approach to tax forecasting methodology.

Budgeting and Estimates

- 4.9 The Committee in late 2005 reported on proposals for alterations in the way that estimates for expenditure are presented to Dáil Éireann. It was therefore with particular interest that the Committee considered budgetary and Estimates reform which was implemented in the autumn of 2006 when the economic review and outlook was replaced with the new annual pre-budget outlook. The new pre-budget outlook will review the performance of the budget and the economy in the preceding year but will also present a forecast for the following two years. It is anticipated that this will facilitate the committees of Dáil Éireann, the Government and the public in anticipating developments on the budgetary and economic front.
- 4.10 Another element of the reform process is the effort to make presentations to committees of Dáil Éireann more meaningful. The Estimates for the public service are a collection of financial information. However, this information is limited, as it does not inform members and the public what is delivered for the funding allocated. Under the new approach, each Minister will present, to the relevant Select Committee of Dáil Éireann, an analysis of the output to be delivered for the year by the resources the taxpayer is being asked to approve via the Oireachtas. The following year an output statement will be presented outlining what was delivered as against the planned expenditure for that year. It is generally accepted that the new process will make the Estimates process more meaningful.
- 4.11 For the moment, this new approach will not give rise to any changes in the content of the Estimates. In time, however, as experience is gained of the way in which the output statements operate, there may need to be a fundamental review of the Estimates presentation. They are currently structured as a series of expense headings many of which are not related to particular programmes. This imparts little information other than indicating that a particular subhead cost X last year and will cost Y next year. The Department will examine ways in which the nature and content of these presentations might be enhanced. The Committee noted that changes contemplated in this regard, after the Government has considered them, will be brought to its attention in the normal manner.

Cost of Tribunals

- 4.12 The Committee was informed that the total cost of the tribunals that have been completed namely, the Beef, McCracken, Finlay, Lindsay and Dunne tribunals, to the end of 2006 was approximately €97 million. The cost of the administrative system behind those operations and the tribunals' own legal costs were approximately €33 million. Third party legal costs were approximately €64 million, or 66% of the total legal costs. Other tribunals were in train and, as at the end of December 2006, the costs incurred amounted to approximately €180 million. The bulk of this expenditure has been on administration, at €70 million, and the tribunals' legal costs of €96 million. Third party legal costs awarded to that point were €16 million. The Committee was further informed that queries in relation to individual

tribunals should be directed towards the Accounting Officers of the Departments under which they had been established. The Department was unable to estimate a figure for third party legal costs but it did indicate that in previous tribunals the cost came to approximately 66% of the total cost, or twice the cost of running the tribunals. The Department confirmed that the cumulative cost of tribunals and inquiries, both completed and ongoing up to 31 December 2006, was €278.71 million.

- 4.13 The Committee was further informed that individual accounting officers, who have the task of paying for these costs from their Votes, may be in a position to assist in giving an estimate of third party legal costs. The basis on which the tribunals were set up and the orders made by the legislature did not impose any obligation or budget on them. The tribunals have the full powers of the High Court and it has emerged that parties appearing before them are regarded as entitled to have their good name and reputation preserved and to have full representation.
- 4.14 The Department is not aware of any system at the tribunals that notes on a daily basis the representation delivered by senior counsel, junior counsel, solicitors and so on. Nor is there a system in operation that notes the costs of the various discovery orders made. The traditional approach in the tribunals is for parties awarded representation to submit costs to the tribunal and the Taxing Master for adjudication when proceedings conclude. Traditionally there had been reservations about approaching the tribunals seeking to know costs that had been incurred because it was felt that the tribunals could interpret such an approach as an unwarranted intervention affecting their independence.

5. Adoption of Accounts

The Committee noted Votes 1, 6, 7, and 12, the Contingency Fund Deposit Account 2005 and Finance Accounts 2005. Chapter 1.1 was disposed of.

Findings and recommendations

Findings

1. The National Debt at the end of 2005 was €38.2 billion. This had reduced to €37.34 billion by the end of June 2007.
2. Approximately 89,000 public service pensioners are paid from Vote 7 which costs almost €2 billion annually. This cost is set to double in real terms in the next 20 years.
3. The number of persons over 65 in the population will increase significantly in the next 20 years. This will have serious cost implications for social welfare pensions and for the health services.
4. The Department has set up an expert group in an effort to increase the accuracy of its tax and economic forecasting.

5. The cost of tribunals and inquiries that have been completed up to 31 December 2006 is approximately €97 million. The cumulative cost of those both completed and for those still ongoing up to that time is €278.71 million.
6. There is no ongoing record kept of the number of days that legal representation, granted to individuals at tribunals, is actually used.

Recommendations

1. Mechanisms should continue to be examined that would increase the accuracy of forecasting the cost of pensions in the future.
2. The Department should ensure that it applies the same criteria to its budgeting and forecasting as it applies to other Government Departments in order to increase the accuracy of its estimated expenditure and the receipts received from taxation.
3. The Department should investigate means by which individual tribunals could be encouraged to maintain, on an ongoing basis, an accurate record of all costs.

9. Houses of the Oireachtas Commission: Accounts 2005.

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Kieran Coughlan, Clerk of the Dáil and Secretary General to the Houses of the Oireachtas Commission; and from the Comptroller and Auditor General on 8 February 2007.

2. Background

- 2.1 The Houses of the Oireachtas Commission came into being on 1 January 2004 in accordance with the provisions of the Houses of the Oireachtas Commission Act 2003. The accounts being considered by the Committee are in respect of 2005.

3. Accountability Issue

- 3.1 The issues considered by the Committee were:

- Budget cycle and accounts presentation
- Work of the commission
- Services to members.

4 Examination of the issues

Budget cycle

- 4.1 The Office of the Houses of the Oireachtas, prior to the establishment of the Commission, was subject to the same conditions attaching to expenditure as Government Departments and offices. Its annual funding was allocated by way of a Vote in the annual Estimates process. The passing of the 2003 Act brought about changes that reflect the increased independence of the Houses. The annual Estimate has been replaced by a three year budget drawn from the Central Fund and agreed with the Department of Finance. The budget for the period 2004 to 2006 inclusive was €295 million.
- 4.2 The Committee was informed that, while the governance structure and the budgeting framework have changed, the presentation and format of the accounts remains unaltered. There were no issues arising from the audit of the Comptroller and Auditor General on the accounts for 2005.

Work for the Commission

- 4.3 The work of the Commission is aimed at ensuring that the vision of Ireland having a world class parliament becomes a reality. Thus, decisions of the Commission have been geared towards the identification of administrative priorities and a higher level of accountability.
- 4.4 The behind the scenes work of the Commission and the Office is increasingly transparent by virtue of the publication of strategic plans, corporate business plans, annual reports and

commission minutes on the parliamentary website. Accountability mechanisms are kept under constant review.

- 4.5 The Committee was also informed that results of research undertaken on behalf of the Commission indicate clearly that whilst the work of members is appreciated there is little understanding of the tasks undertaken by officials within the Houses.

Services to members

- 4.6 A considerable amount of the resources of the Commission are put towards improving the services provided to members. The library and research facilities have been expanded and it can now provide on-demand research in the fields of law, economics, social science and public administration and politics. Drafting assistance facilities continue to be provided to members on an informal basis. A major ICT package has been rolled out; the one-stop shop acts as a single point of contact for members in respect of all payments, allowances and pensions; and in-house printing facilities have been improved.
- 4.7 Communications technology is another area of strategic priority for the Commission particularly in terms of recognising the increased role and influence of technology and the Internet in service delivery and in shaping public opinion and policy. To that end the electronic service provision has been restructured into two distinct functions, namely e-Parliament which focuses inwardly on the needs of the Houses and e-Democracy which concentrates outwardly on communications and engagement with the public.

5. Adoption of Accounts

The Committee noted the Houses of the Oireachtas Commission Accounts 2005.

Findings and recommendations

Findings:

1. The Houses of the Oireachtas Commission came into being on 1 January 2004 in accordance with the provisions of the Houses of the Oireachtas Commission Act 2003.
2. The transition to the new governance arrangements has been seamless. This is reflected in the fact that no issues merited public accountability as a result of the audit of the accounts by the Comptroller and Auditor General.
3. The new governance arrangements are not reflected in the format in which the annual accounts of the Commission are presented.
4. The services provided to members such as the one-stop shop and the library and research facilities have improved under the Commission.

5. Studies show that while it is acknowledged that individual members of the Oireachtas work hard there is still a lack of understanding of the work carried out within the Houses.

Recommendations:

1. The Commission, in conjunction with the Department of Finance, should further examine and give consideration to updating the way in which the annual accounts of the Commission are presented.
2. Consideration should be given to putting the drafting facilities provided to members, in respect of Private Members' Bills and amendments, on a more structured footing.
3. The Commission should continue to seek ways to increase public awareness of the work undertaken in the Houses.

10. Department of Transport: Vote 32 (Transport); and Chapter 11.1 Integrated Ticketing System

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Ms Julie O'Neill, Secretary General, Department of Transport and her officials; from Mr Frank Allen, Chief Executive Officer, Railway Procurement Agency; from Mr John Meagher, Chief Executive, Dublin Bus; from officials of the Department of Finance; and from the Comptroller and Auditor General on 5 October 2006.

2. The Background

- 2.1 The Committee considered Chapter 11.1 Integrated Ticketing System from the 2005 Annual Report of the Comptroller and Auditor General as well as Vote 32 (Transport) from the Appropriation Accounts.
- 2.2 The Rail Procurement Agency (RPA) was given, in March 2002, a mandate for the delivery of a multi-operator system of integrated public transport ticketing using smart card technology. Initial deployment of the system was to be in the Dublin area. Pending the establishment of a transport regulatory body, the RPA was given responsibility for procuring the integrated ticketing system. On that basis it prepared a budget and a four year plan for the period 2002 to 2005 inclusive. The original budget was set at €29.6m. In January 2006, the RPA submitted proposals for a revised budget with an upper limit of €42.7million.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

- Procurement contract
- Governance
- Road projects / M50 motorway.

4. Examination of the issues

Procurement contract

- 4.1 The project was divided into four phases, namely, establishment / appraisal; design / specification; procurement; and implementation. The first two phases were completed broadly in line with the original timeframe and budget. However problems arose with phase three which was subsequently terminated, after about one year, in May 2005. Total expenditure in the four years 2002 – 2005 amounted to €9.5 million.

- 4.2 The procurement process itself was carried out in line with national and EU rules but no tenderer ultimately met the selection criteria. The Committee was informed that the complexity of the project, together with another State transport agency also seeking a similar system in the marketplace at that particular time, appears to have undermined the procurement process. The latter factor was not planned by the individual players involved in the process but occurred due to the fact that there were ticketing systems in the various companies at different stages of their life cycles. The system in Dublin Bus had gone on beyond its operational expectancy and needed to be replaced; Bus Éireann and Irish Rail were at different stages of development; while the Luas was a new player on the market. The RPA informed the Department in June 2005 that the net additional estimated cost of this unsuccessful procurement was €860,000 and had the effect of delaying the project by approximately a year.
- 4.3 A subsequent consultant's report recommended proceeding with the project and stated that with firmer governance the project could be kept on time and within budget. In addition, a peer review of the project undertaken by the Department noted a lack of unity of vision and purpose among the participating parties. It stated that discontinuing the project would incur further costs bringing total expenditure to approximately €13.5million. It also recommended that the project, as currently envisaged, should proceed. The decision to formally proceed was finally taken in July 2006.

Governance

- 4.4 The Committee's attention was also drawn to problems that emanated from the governance structure within the project. The conclusion was that the procurement process was hindered by factors such as the relatively small scale by international standards of the system being procured, confusion over the role of the RPA and the other agencies within the system and the specialised nature of the services being sought. A further contributory factor appeared to be underlying tensions between RPA and the CIE companies, particularly Dublin Bus, which, according to Departmental files, were becoming increasingly evident at that time.
- 4.5 The Department decided, following the failed procurement process in May 2005 and discussions that it subsequently had with the RPA and Dublin Bus, to introduce revised governance arrangements in July 2006 in the form of a new high level project board which was charged with the successful delivery of the smartcard technology required to deliver an integrated ticketing system within an agreed specification, timeline and budget. The new Board, under the chairmanship of a retired Secretary-General of a Government Department, consisted of the chief executives of RPA, Dublin Bus, Iarnród Éireann and Bus Éireann as well as representatives of the Department, the Department of Social and Family Affairs (DSFA) and the private bus operators. It was further decided that the board is to be accountable to the Minister and would report in the Autumn of 2006 and at three monthly intervals thereafter.
- 4.6 In addition, a project implementation team was established, led by the RPA, to include the current RPA ticketing team and relevant personnel from Dublin Bus, Iarnród Éireann, and Bus Éireann, private operators and, as appropriate, the DSFA. It will report to the project board and will be responsible for the day-to-day development and implementation of the

project. The Committee was also informed that these arrangements were intended to be interim pending the statutory establishment of a Dublin Transport Authority.

Road projects / M50 motorway

- 4.7 The Committee was informed that significant progress had been made during the course of 2005 and 2006 in terms of improved project management of the roads programme. This was underlined by the fact that nine out of ten projects on the national roads programme had been delivered on schedule and within budget.
- 4.8 The Committee was also informed that the process of a free flow operation on the M50 had commenced and that implementation of the process is expected to take place by the third quarter of 2008. It was further informed that the National Roads Authority (NRA), which has a contractual arrangement with National Toll Roads (NTR), is negotiating on the way in which the company's involvement with the toll bridge can be terminated. It is accepted that these discussions will be protracted due to the fact that NTR has a watertight legal agreement. The issue for the NRA is to identify the best way to get out of that agreement and advance the matter in the future. It is intended that by the time systems are in place for free-flow tolling the involvement of NTR will have ended.

5. Adoption of Accounts

The Committee noted Vote 32 (Transport) and disposed of Chapter 11.1 Integrated Ticketing System.

Findings and recommendations

Findings

1. Problems arose at the procurement stage of the integrated ticketing project which caused it to be suspended, after about one year, in May 2005. Total expenditure in the four years 2002 – 2005 had amounted to €9.5 million.
2. Substantive communications between the different parties at an earlier stage would have put the project on a sound footing sooner resulting in less nugatory expenditure.
3. There is now strong support from all of the agencies involved for an integrated ticketing system for Dublin and agreement that it should be on a smart card basis.
4. Revised governance arrangements for the project were put in place in July 2006 which is expected to progress it until a Dublin Transport Authority is formed.
5. In January 2006 revised costings put an upper price limit of €42.7 million on the project.
6. The technical issues in relation to the project have been resolved subject to further live testing.

7. Nine out of 10 projects in the national roads programme during 2005 and 2006 were completed on schedule and within budget.
8. Negotiations in relation to the process of the free flow operation of the M50 have commenced and the process is expected to be completed by the third quarter of 2008.

Recommendations

1. Government Departments which allocate funding to individual projects should monitor expenditure closely so as to ensure that spending is controlled; and the Department of Finance should maintain effective overview on an ongoing basis.
2. Government Departments that initiate projects involving a number of bodies should ensure that the role of each of those agencies in relation to the project is clearly defined and that, overall, an effective governance structure is put in place.
3. Sponsoring Departments should use whatever leverage is available to ensure buy-in from all parties engaged in multi-agency projects and ensure that enforceable commitments are obtained from them.
4. Clarity of purpose should be established before procurement is undertaken in complex IT projects.
5. The Department should continue to monitor ongoing developments in relation to the M50 in order to ensure that progress is made on schedule and within budget.

11. Department of Communications, Marine and Natural Resources:

Vote 30 (Communications, Marine and Natural Resources); Chapter 9.1 - Irish National Seabed Survey; and 9.2 - Payments to the Broadcasting Commission of Ireland

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Brendan Tuohy, Secretary General, Department of Communications, Marine and Natural Resources and his officials; from Mr Peadar McArdle, Director, Geological Survey of Ireland (GSI); from officials of the Department of Finance; and from the Comptroller and Auditor General on 19 October 2006.

2. The Background

- 2.1 The Committee considered Chapter 9.1 - Irish National Seabed Survey and 9.2 - Payments to the Broadcasting Commission of Ireland, from the 2005 Annual Report of the Comptroller and Auditor General as well as Vote 30 (Communications, Marine and Natural Resources) from the Appropriation Accounts.
- 2.2 Chapter 9.1 relates to a Government approved plan to undertake a survey of the entire Irish seabed. The project was due to start in 1999, run for seven years and cost €26.3 million. In November 2005, by which time the original survey had still not been completed, a separate survey was commissioned which was expected to last 20 years.
- 2.3 Chapter 9.2 concerns payments made by the Department to the Broadcasting Commission of Ireland. The payments were made under a scheme outlined by the Broadcasting (Funding) Act, 2003 but were made prior to the granting of formal approval by the Minister for Communications, Marine and Natural Resources.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

The seabed survey – the project
Project management
Cost
Broadcasting Commission – legal issues
Foreshore development.

4. Examination of the Issues

The Seabed Survey – the project

- 4.1 The Government decided in 1999 that a complete survey of the seabed claimed by Ireland, an area comprising 850,000 square kilometres, would be undertaken. The area to be

surveyed was divided into three zones according to the depth of the sea as follows - Zone 1: 0 – 50 m; zone 2: 50 m – 200m; and zone 3: 200 m – 3,000 m. By 2005 the project had not been completed and €34.4 million had been spent. This led to the Government approving a new project which would put a particular emphasis on inshore waters with later work to concentrate on surveying the area to the south and west of Ireland. The new programme is entitled Integrated Mapping for the Sustainable Development of Ireland's Marine Resource (INFOMAR). The project has a 20 year timeframe even though Government approval has only been given for three years. Thus, the matter will be reviewed in 2008.

- 4.2 The decision to proceed with the Irish national seabed survey was very much a strategic one to collect data. It was made on foot of a memorandum for Government that was prepared by the GSI. Information gathered was to be made available to businesses and the public. Because of the scale of the project and the pioneering use of new technologies, the Government mandated the establishment of a Seabed Advisory Committee which helped to deal with the complex challenges faced in implementing the Government decision. The Committee was informed that, despite significant challenges, a total of 526,637 sq. km., or 81% of the Irish designated area, had been surveyed by the autumn of 2006. The remaining area is 125,363 sq. km. It is hoped that when the project is concluded the State will own the sea bed, any hydrocarbons found on it as well as any minerals and other deposits discovered.

Project management

- 4.3 In 1999 overall responsibility for the management and direction of the survey, named the Irish National Seabed Survey (INSS), was assigned to the Geological Survey of Ireland (GSI). The GSI, as confirmed in a memorandum of understanding in 2000, had overall responsibility for managing the project with the support of the Marine Institute (MI). The Committee was also informed that over time the role of the institute assumed greater importance and that this appeared to lead to tension between the two organisations at operational level which was in danger of jeopardising the attainment of the project's objectives. The difficulties were eventually resolved in 2004 when new administrative arrangements were put in place. These included a new joint working group which included a Departmental official acting as observer.
- 4.4 Included in the memorandum for Government of 1999 was a commitment to establish a seabed advisory committee which comprised of representatives of various Government Departments together with representatives of MI, GSI, National University of Ireland (Galway) and University College Dublin. This was established in June 1999 to provide technical advice. A steering group comprising the former Department of Public Enterprise, which dealt with the Geological Survey of Ireland, the former Department of the Marine and Natural Resources, the Department of Finance, the Geological Survey of Ireland and the Marine Institute was established to oversee the project.
- 4.5 While the 1999 memorandum for Government envisaged the survey covering the entire seabed claimed by Ireland, the Committee was informed that this was not feasible in view of the level of funding that had been allocated. The main reason was that shipboard surveying in shallow waters is prohibitively expensive. It was also the case that the cost of surveying in zone 2 was considerably higher than had been initially anticipated. Hence, the

decision was taken to focus the work on the deep-water areas. This change in the scope of the project was not brought to Government to enable it to reconsider its commitment to the revised project.

- 4.6 The Committee was informed that the memorandum for the Government in 1999 referred to an area of 850,000 sq. km., that is, the outer limit of the potential continental shelf or the aspirational area plus the Irish designated area (IDA). However, the GSI is of the view that the survey would not have extended beyond the IDA, would have overlapped a survey undertaken in 1996 by 10% and would not have covered zone 1, depths less than 50 m. This is clear from the work of the Seabed Advisory Committee. The total area surveyed by the INSS, exclusive of the work undertaken by the Petroleum Affairs Division of the Department is as follows: for zone 3, the deeper areas, the figure is 96%; for zone 2, it is 22% and for zone 1, it is 12.6%. This gives a total area surveyed of 432,105 sq. km.

Cost

- 4.7 As stated previously, the initial estimated cost of the project in 1999 was €26.3 million. This was later revised to €33 million. Actual expenditure for the period 1999 to 2005 amounted to more than €34 million. The Committee was informed that, in the original memorandum for Government, it was accepted that the project was pioneering in its scale and in the technologies that would be used. It was different from previous surveys in that the INSS not only acquired bathymetric data but also magnetic, gravity and sub-bottom data. Providing for the necessary quality of data in shallower water required that the traverses be closer together. As a consequence, the actual kilometres travelled were much greater for the same coverage.
- 4.8 The Committee also noted that in 2003 an independent international value-for-money audit of the main contract concluded that the INSS represented "very good value for money". For example, in comparison with a survey of the Scotian shelf in Canada carried out at around the same time, the INSS cost of €92 per linear km compared to €138 per linear km. for the Canadian project, even though the INSS had also collected magnetic and gravity data in addition to bathymetric data.
- 4.9 The total cost of the project exceeded the estimated cost for a number of reasons, including the requirement for closer traverses to achieve the required quality of data in zone 2 and a requirement to pay higher levels of VAT than originally allowed for. It was originally envisaged that VAT would not be payable on the areas being surveyed offshore but, subsequently, in discussions with the Department of Finance, it was agreed that VAT would be paid. This raised the figure from the original calculation. In addition, it was adversely affected by inflation costs during the life of the project.
- 4.10 The initial estimate on cost was put together in the Department with the advice of the GSI. The Department acknowledge that information in relation to such undertakings was not as clear-cut as it is today and that as a result it was envisaged that the working group would further examine what had been produced for the Government memorandum.

- 4.11 Regarding procurement, an issue was raised in regard to an additional sum of €635,000 paid to the main contractor. An amendment to the contract provided for payment in respect of additional work carried out to cater for areas with water depths of less than 200 m.
- 4.12 The cost was also affected by the provision of additional information for zones 1 and 2 on transit lines. As the ship was travelling out to zone 3 it was collecting data on the way. The Department expressed the opinion that it was sensible to extend the contract to pick up this information at the same rates. However, members of the committee thought that the work carried out on zone 1 and zone 2 should have been undertaken anyway in view of the fact that the work being carried out should have encompassed the whole area.
- 4.13 It became apparent that the underestimation of costs in Zone 2 was another factor in the change in direction of the project. The Government memorandum had specified the need to undertake a detailed design and planning exercise and it was this that highlighted the need for significantly greater line density in Zone 2 – the major factor in increasing costs over those estimated in the memorandum. The lack of experience of this pioneering survey technology was fully anticipated and acknowledged in the memorandum. It was realised that surveying costs per unit area would increase with decreasing water depth. But the relationship between cost and water depth was not a simple linear one. The scientific consultants could not resolve the difference between their relatively high costs of surveying in Zone 2 and those estimated for the original memorandum to Government.

Broadcasting Commission – legal issues

- 4.14 In December 2002, the Minister for Communications, Marine and Natural Resources announced a new framework for public service broadcasting including an increase in the television licence fee from €107 to €150. At the same time it was announced that a new scheme would be established after legislation was enacted to take 5% of the total licence fee and make it available to broadcasters other than RTÉ. The Minister said, at the time, that he expected the fund to amount to €8m annually and that legislation would be necessary to give effect to the changes.
- 4.15 The Broadcasting (Funding) Act, 2003, which was signed into law in December 2003, states that “the Minister, with the approval of the Minister for Finance, may pay to the Commission out of moneys provided by the Oireachtas for the purposes of grants under a scheme and any administration of or reasonable expenses relating to a scheme, in respect of each financial year, after the financial year ending on 31 December 2002, an amount being equal to 5 per cent of net receipts in that year in respect of broadcasting licence fees.”
- 4.16 The Department interpreted the Act to mean that, on its enactment, it provided for the immediate establishment of a broadcasting fund. Therefore, starting in 2003, 5% of net receipts from television licence fees were to be paid into the fund each year. From 2003 to October 2005, when the Minister formally approved the scheme, payments totalling more than €23.3 million were made to the scheme.
- 4.17 The Comptroller and Auditor General, during the course of his examination of the Department’s expenditure, questioned the legal basis under which these payments were made. Following consultation with the Office of the Attorney General, it was confirmed

that a scheme should have been in place before any such payments to the commission were made. The Committee was informed that no money was paid to individuals until the scheme was put in place. It was held by the Broadcasting Commission of Ireland (BCI) and was eventually spent as intended.

Foreshore development

- 4.18 The Committee was informed that in 2005 there was an under spend of 53% in the subhead for foreshore development and members expressed concern about the delays in the administration of foreshore licences, particularly those concerning major infrastructural projects. The Department explained that there has been a phenomenal increase in the number of applications for licences in the preceding few years. The Committee was informed that two thirds of the population now live within 10 km of the coast and that this had put pressure on the operation of the system. Staff turnover, a consequence of decentralisation, was also a contributory factor to a slow down in the process.
- 4.19 The Committee was also informed that the Department will use external engineers to assist on some assessments in order to speed up the process and help development in some areas. The Department expressed confidence that in the new decentralised operation the process will be more streamlined.

5. Adoption of Accounts

The Committee noted Vote 30 (Communications, Marine and Natural Resources) and disposed of Chapter 9.1 - Irish National Seabed Survey and 9.2 - Payments to the Broadcasting Commission of Ireland.

Findings and recommendations

Findings

1. A total of 526,637 sq. km. or 81% of the Irish designated area has been surveyed. The seabed that remains to be surveyed amounts to 125,363 sq. km.
2. The INSS project cost in excess of €34 million. There will be a significant cost to the State to complete a survey of the seabed claimed by Ireland.
3. Internal audit reported that project management controls were not in place or were not applied in relation to INSS and also concluded that the suggested governance structure for INFOMAR fell short of best practice for such projects.
4. The GSI agreed to retrospectively pay €635,000 in respect of additional work that should have been included in the original survey.
5. Information gathered from the survey will be beneficial and will, it is anticipated, help form the basis of future marine strategy.

6. The GSI initially did not consider that the seabed in zone 1 should be included in the survey.
7. The Department made payments from the Vote to the Broadcasting Commission of Ireland prior to the formal approval of the scheme.
8. There was an underspend of 52% in the subhead for foreshore development.

Recommendations

1. When new projects are being undertaken their objectives and scope should be clearly identified in advance to all of the parties involved.
2. Long term projects should have a monitoring system built into them to ensure that regular progress is made on a stage by stage basis.
3. Procedures should be put in place to ensure that complete and accurate information is contained in memoranda for Government.

12. Irish Prison Service: Vote 21 (Prisons); and Chapter 4.1 – Acquisition of a Site for Prison Development

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Seán Aylward, Secretary General, Department of Justice, Equality and Law Reform and his officials; from Mr Brian Purcell, Director General, Irish Prison Service; from Commissioner David Byers, Office of Public Works; from officials of the Department of Finance; and from the Comptroller and Auditor General on 26 October 2006.

2. The Background

- 2.1 Mountjoy Prison in Dublin is more than 150 years old. The Department of Justice, Equality and Law Reform decided that a modern prison with up to date facilities was needed and sought to obtain a site in the greater Dublin area. In January 2005 it acquired a site consisting of 150 acres at a cost of €29.9 million.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:

- Hiring of advisors
- Site evaluation
- Impact of conducting the process in public
- Consequences of site purchase.

4. Examination of the issues

Hiring of advisors

- 4.1 The Prison Service asked the Office of Public Works (OPW) to help in acquiring a site for the development of a prison. The OPW commissioned property consultants CBRE, around mid 2003, to carry out a site search. The initial instructions given to CBRE were to acquire a site of between 60 and 100 acres. Later, due to the fact that space was to be made available to house the Central Mental Hospital, the optimum site size increased to an estimated 100 acres.
- 4.2 Central government departments and offices must comply with EU Procurement Directives in acquiring professional services, including those of consultants. The Directives require that, where proposed public sector contracts for services are expected to exceed certain threshold values, they must be advertised in the Official Journal of the EU. In 2004 and 2005, the relevant threshold for services procurement was €154,014 (excluding VAT).

- 4.3 In addition to the EU Directives, the Department of Finance publishes guidelines setting out best practice principles and guidance for engaging and managing consultants. These include requirements to seek competitive tenders from a number of service providers, to agree fixed fees for specified services and to formally review the work done by consultants prior to final payment.
- 4.4 Based on the EU and Department of Finance rules and guidelines, OPW has established a Consultants Selection Committee that considers requests for the appointment of consultants for construction projects. This Committee is also responsible for reviewing both the terms of engagement of consultants and the level of fees that they charge.
- 4.5 There was no tendering for the service provided by CBRE and no formal contract. It was not until May 2004 that CBRE formally wrote to OPW setting out its fees for proposed professional services required to complete the site acquisition. In the end the amount paid to CBRE in connection with the prison site acquisition was €256,506 (plus VAT of €53,866).

Site evaluation

- 4.6 Initially, the Prison Service's advertisement asked for offers of sites to be submitted by February 2004 – a deadline not adhered to. By 30th April 2004, 28 offers had been received. The Department decided that, due to the cost implications involved with the purchase of a site, a Site Selection Committee with the necessary expertise should be established to carry out the evaluation.
- 4.7 The Site Selection Committee evaluated the various potential sites but as the basis of its scoring is not recorded it is difficult to determine whether its evaluation was consistent. However, it is known that in September 2004 'cost per acre' was dropped from the list of criteria. This had the potential to allow sites to be compared on their respective merits and a relative rank order of the sites on offer to be established. However, some test of the relationship between costs and benefits was then needed to bring cost back into consideration in the site selection process in order to calculate whether good value was being achieved.
- 4.8 OPW stated that the Site Selection Committee felt strongly that the capital cost of the site was but one element in the overall value equation to be considered for the new prison. It considered it vital to obtain the best configured site so as not to compromise the form of what would be a major State institution with an operating life of probably 150 years. It was that Committee's strongly held view that any layout flaw in the new prison caused by a less than ideal site would cost multiples of the initial site price in lost operating efficiencies over the long life of the prison. Sites considered suitable underwent a site survey.

Impact of conducting the process in public

- 4.9 The Committee was informed that the decision to conduct the acquisition of a prison site in public rather than privately through a third party was taken following discussions between the Secretary General and the then Minister for Justice, Equality and Law Reform. The Department's view was that it would be unethical for the State to conceal from the vendor

the reason for acquiring the land when dealing with a project on such a scale and it was also anxious to avoid any possible allegations of corruption that might be levelled towards it. The Department also maintains that it could not have obtained such a superb site for significantly less money.

- 4.10 The Department and the OPW discussed with CBRE the likely market valuation range for the sites of interest. They recognised that the prices proposed by the vendors would be likely to exceed the respective market valuations by the 'special purchaser' premium that attached to the sale. The market value of land is the price it is likely to achieve in an open sale, where the vendor initiates the sale. In such circumstances, the price achieved will usually reflect the productive capacity of the land as well as any generally perceived 'hope value' deriving from the development potential of the land.
- 4.11 Studies of the prices achieved for parcels of land in areas of north County Dublin and east Meath between late 2004 and 2005 indicate that the price paid for agricultural land was in the price range of €20,000 to €30,000 per acre. However certain other parcels of land that were judged to have greater development potential went for considerably higher prices.
- 4.12 In November 2004 the Site Selection Committee agreed to recommend the purchase of a site of just less than 100 acres at Coolquay for €31.5 million. Later that month the Government approved the purchase of the site. However on 21 December the solicitor for the vendor of the land formally withdrew it from sale. Shortly afterwards the Prison Service became aware of the existence of an alternative site, consisting of 150 acres, at nearby Thornton Hall. Negotiations quickly took place and an agreement to purchase the land for €29.9 million was signed in late January 2005. It is thought that the proximity of the two sites and the fact that the Department was on both occasions dealing with a single vendor weakened the hand of the Department in negotiating a price. However, it must also be acknowledged that the Thornton site consisting of 150 acres for €29.9 million was a lot cheaper than the Coolquay site.
- 4.13 In February 2005 CBRE informed the Prison Service that "land being purchased in the Fingal county area by developers speculating on land with the hope of getting those lands rezoned in future development plans, trade at anything from €75,000 to €100,000 per acre.". CBRE attributed the additional cost paid by the Department to the public advertisement of the Prison Service which meant that potential vendors knew the identity of the purchaser, resulting in a premium price being placed on properties being offered for sale. Ultimately, the price paid for the Thornton land — around €200,000 per acre — was at least twice the market price at the time for agricultural land with development potential in the target area of north County Dublin and the principal factor in the high price was the decision taken to disclose the State's interest in acquiring a site for a prison. Best value for money was not, therefore, achieved in this transaction.

Consequences of site purchase

- 4.14 The size of the site purchased at Thornton Hall was 50% bigger than was thought to be initially needed. The Department, however, are confident that the additional space will be used positively once provision is made for the Central Mental Hospital, a sufficiently deep buffer zone is built in and reasonable space is left for future expansion. The Department

also pointed out that these were dynamic factors and could not all be assessed in advance of development or in isolation. From that point of view additional acreage may be welcome in the future.

- 4.15 The land at Thornton is not serviced. A survey of how the various services can be brought onto the site has taken place. This has been costed and is included in the tender for the construction of the prison. The Department, in a letter to the Committee subsequent to the meeting, clarified that it has been agreed in principle that a new water main will be constructed along the N2 and R130 roads. In addition, a new foul sewer will be provided from Coldwinters along the same roads. The successful tenderer under the public private partnership will be responsible for the provision of these services. The Department further stressed that on completion the new services infrastructure will be under the control of Fingal County Council.
- 4.16 The Committee recognised that the servicing of the land for the new prison will lead to the servicing of a large quantity of land that is not currently zoned for development. This, it is expected, will lead to the land in question being rezoned resulting in the value of that land increasing significantly.

5. Adoption of reports

The Committee noted Vote 21 (Prison Service) and disposed of Chapter 4.1 - Acquisition of Site for Prison Development.

Findings and recommendations

Findings:

1. The site purchased at Thornton Hall was 50% bigger than the size of the site originally sought.
2. The Department did not seek professional advice on the potential impact that advertising its interest in acquiring land would have on the price that it would likely have to pay.
3. The arrangement whereby OPW contracted with CBRE for the provision of professional services in site selection and site procurement did not comply with the rules for procurement of professional services.
4. In September 2004 the Department's Site Selection Committee dropped 'cost per acre' from its evaluation process. This allowed its members to assess all sites that met its criteria without considering price.
5. Sites that were considered suitable underwent a site survey which addressed such things as topography, road access, water main requirements, sewers, surface water, flora, fauna and archaeology.

6. Best value for money was not obtained as the price paid for Thornton Hall, €200,000 per acre, was approximately twice the market price for agricultural land with development potential in that area.
7. The criteria adopted by the Site Selection Committee were relevant to site selection but do not provide sufficient information on the basis of that Committee's assessments.
8. The State twice ended up negotiating a sale with a single vendor with no effective degree of competition. This weakened the State's negotiating position on both occasions.
9. The principal factor in the high cost of the purchase price was the decision to disclose the State's interest in acquiring a site for a prison.
10. The Department, while acknowledging that a third party sale might have resulted in a cheaper price, opted to oversee a process that was open and transparent.
11. A price of €31.5 million was agreed in respect of a site of 100 acres at Coolquay. When this deal fell through agreement was reached within six weeks to purchase, for €29.9 million, a site at nearby Thornton Hall consisting of 150 acres.
12. The land at Thornton Hall is not serviced. The development of the site will result in a huge catchment area of land in the locality becoming serviced and hence adding greatly to the value of that land.

Recommendations

1. State agencies seeking the provision of professional services should adhere to the rules for procurement.
2. State agencies getting involved in commercial transactions should adopt a business like approach on behalf of tax-payers and endeavour to obtain best value for money.
3. Where the cost per acre criterion is removed from the criteria for site selection some test of the costs and benefits should be calculated to determine whether good value for money is being obtained.
4. Consideration should be given to whether there is a need for greater consistency in the land acquisition procedures employed by the State for public good projects.
5. State agencies developing sites that are not serviced should only do so after studying, in advance, the consequences of having the lands in the catchment area serviced.

6. Public private partnerships entered into by State agencies should be mindful of defending the interests of the tax-payer particularly where its development of a site is likely to lead to an increase in the value of land in the catchment area.

13. Garda Síochána: Vote 20 (Garda Síochána); and Chapter 3.1- Maintenance of Garda Vehicles

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Noel Conroy, Commissioner, An Garda Síochána and his officials; from Mr Seán Aylward, Secretary General, Department of Justice, Equality and Law Reform; from officials of the Department of Finance; and from the Comptroller and Auditor General on 1 February 2007.

2. The Background

- 2.1 Under section 43 of the Garda Síochána Act 2005, which was activated by the Minister for Justice, Equality and Law Reform in July 2006, the Garda Commissioner became the Accounting Officer for the Vote of An Garda Síochána. The net outturn for the Vote in 2005 was a little less than € 1.14 billion – the bulk of which was made up of Garda pay amounting to almost €800 million and pensions of €215 million.
- 2.2 An audit carried out in Spring 2006 showed that the repair and maintenance of the Garda fleet, apart from vehicles maintained at the Garda transport garage in the Phoenix Park, was arranged at district level and that this work was generally carried out by main dealers in each district. Competitive tendering did not take place for this maintenance work.
- 2.3 A consultant's report on Transport Maintenance and Procurement Compliance in An Garda Síochána delivered in July 2002 recommended, *inter alia*, that An Garda Síochána "outsource the entire maintenance activity including management of the fleet, the contracts and costs, quality service performance management and compliance management to a national service provider or consortium.". This recommendation was reiterated in the final report of the Garda Strategic Management Initiative Implementation Steering Group in February 2004. The thrust of these recommendations was that better value for money would be achieved through organising vehicle maintenance in this way. This had not occurred by January 2007.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:

- Maintenance of Garda vehicles
- Community policing
- Civilian staff
- Road safety.

4. Examination of the issues

Maintenance of Garda vehicles

- 4.1 The Committee noted the considerable delay in implementing recommendations designed to achieve better value for money in this area. The Garda fleet comprises approximately 2,200 vehicles, 1,600 of which are cars. The balance is made up of vans, motorcycles, minibuses, some 4X4s and a small number of trucks.
- 4.2 Traditionally, Garda vehicles in Dublin were maintained in the Garda transport garage in the Phoenix Park while work on those based outside of Dublin was arranged at district level through local garages. Maintenance undertaken at headquarters worked out much more expensive than work done commercially. Various reports from 1995 to date have recommended that an independent fleet management function accountable to Garda management would help to improve matters. Progress in implementing the outsourcing of the fleet management function has, therefore, been slow.
- 4.3 The Committee was also informed that the 1,300 vehicles purchased by the Garda in 2006 will have a major impact on the cost of maintenance as a lot of the fleet will be under guarantee. At the time of the Committee meeting the Garda authorities were preparing a request for tender prior to entering into a contract for the maintenance of Garda vehicles.
- 4.4 The Committee was also informed of an investigation that is underway to establish the facts surrounding allegations of irregularity involving a main dealer in Dublin engaged to maintain some of the Garda fleet. This investigation is ongoing but it has been confirmed that no evidence of criminal behaviour by members of An Garda Síochána or civilian support staff allocated to the Garda Transport Section had come to light. In addition, no breaches of discipline in respect of members of An Garda Síochána had been identified.
- 4.5 The issue of whether Garda vehicles should be leased rather than purchased was also considered. However, leasing is not considered feasible due to the fact that it is necessary to have Garda vehicles available on a continuous 24-7 basis and further due to the fact that each vehicle has a very high level of use which would result in vehicles having a low residual value at the end of the lease period.

Community policing

- 4.6 The Commissioner informed the Committee that it was his aim to increase the number of Gardaí active in community policing. It is acknowledged that Community policing offers comfort to residents and provides a useful source of information regarding criminal activity. Their presence in all areas was welcomed by members who also highlighted the fact that for community policing to be effective it was necessary for individual Gardaí to be posted in a particular location for a medium or long term duration. Unfortunately it seemed that, in some cases, Gardaí were, on occasions, withdrawn from community policing duties and assigned to various other points of pressure.
- 4.7 The Committee was also informed that 1,600 bicycles were in use by Gardaí – a fact welcomed by the Committee as their use gave the appearance of a Garda presence in a

particular area. The Commissioner further explained that the use of bicycles offers better opportunities for interaction with people and in certain circumstances increases the flexibility and speed with which Gardaí can deal with public order matters.

- 4.8 The need for greater co-ordination between the activities of the Garda and other State agencies was emphasised. Whilst it was accepted by the Committee that all areas have some level of Garda presence at all hours and on every day of the week it was acknowledged that the same level of service was not being provided by other State agencies. In short, concern was expressed that young people were getting involved in the criminal justice system as a result of a lack, at particular times and in certain areas, of an adequate level of support from social services. The Committee recognised the need for increased co-operation between the Garda Síochána and various other agencies of the State, such as the HSE.

Civilian staff

- 4.9 The Committee was informed of the increased use being made of civilian staff by the Garda authorities. In January 2007 there were almost 2,000 civilians employed in various administrative, professional and technical posts. The employment of civilians frees Gardaí to undertake and concentrate on normal Garda duties.
- 4.10 The Committee noted developments that had occurred since the latter half of 2005 such as the opening in Castlebar of a PULSE centre which employs almost 130 civil servants working around the clock. Gardaí now autodial the centre by mobile phone. Instead of returning to the Garda station to record an incident an individual Garda can call the centre, which operates on a 24-7 basis. The incident is recorded and the Garda can continue with his or her duty on the streets. This is a major reform and a significant development in that it saves patrol Gardaí a considerable amount of their time. These developments were welcomed by the Committee.

Road safety

- 4.11 The Committee noted the important part played by the Garda in respect of road safety and accepted that random breath testing was an important aspect of that role. However, the Committee acknowledged that, while random breath testing took place in relation to alcohol, the problem of people driving under the influence of drugs remains. The Committee further recognised the need for the use of some device that would detect levels of common drugs in a driver's system and consequently act as a deterrent to drivers from taking control of a vehicle while under the influence of drugs.

5. Adoption of reports

The Committee noted Vote 20 (Garda Síochána) and disposed of Chapter 3.1 - Maintenance of Garda Vehicles.

Findings and recommendations

Findings

1. Payments in the range €200,000 to €420,000 have been made to some motor dealers in respect of the maintenance of Garda vehicles in the Dublin area in the two years 2004 – 2005.
2. A number of reports, dating back to 1995, had recommended that the Garda Síochána should outsource the entire vehicle maintenance activity to a national service provider or consortium. No centralised contract had been put in place by January 2007.
3. The Committee acknowledged the advantages of community policing which were recognised as giving comfort to residents of particular areas and of being a great source of information in relation to criminal activity. Problems arise when individual community Gardaí are not posted to a particular location long enough for them to operate effectively.
4. The numbers of civilian staff carrying out tasks on behalf of the Garda Síochána has increased to almost 2,000 allowing Gardaí to concentrate on core activities.
5. Gardaí, particularly at night time and during week-ends, are often the only State agency dealing with young people who are likely to end up being involved in the criminal justice system.
6. Changes in Garda activities such as the facility to randomly breath test drivers and the improvements made in methods of detecting speeding vehicles have gone some way towards reducing road fatalities.

Recommendations

1. There should be no further delays in implementing value for money solutions in the area of Garda vehicle maintenance.
2. Procedures should be put in place within the Garda Síochána to ensure that the appointment of community Gardaí is done on the basis that they serve in those posts for a minimum of two years.
3. The Garda authorities should continue to explore ways of employing civilian staff to replace gardaí who are currently assigned to clerical and administrative duties.
4. The Garda authorities should be pro-active in coordinating the activities of various State agencies involved in medical, social and law enforcement services.

14. Office of Public Works: Vote 10 (Office of Public Works)

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Seán Benton, Chairman, Commissioners of Public Works and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 23 November 2006.

2. The Background

- 2.1 The net outturn on Vote 10 in 2005 was €393 million. When account is taken of other activities with which the Office of Public Works (OPW) is involved, such as the management of capital expenditure for other Departments, the management of supplies for other bodies and the technical advice given on sports grants, the figure is more than €620 million. The Appropriation Account of the OPW was given a clear audit certificate by the Comptroller and Auditor General.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:

Decentralisation
Completion of major works.

4. Examination of the issues

Decentralisation

- 4.1 The Committee was informed of the dual role undertaken by the OPW in relation to decentralisation. Firstly, it is involved in obtaining suitable sites in various locations throughout the country for State agencies intending to decentralise. Secondly, it is responsible for the buildings in Dublin that will be vacated by those agencies that decentralise. A number of staff from the OPW itself are due to decentralise to Trim, Co. Meath.
- 4.2 The Committee was informed that the OPW, in terms of its own decentralisation, is facing the specific problem of having a number of technical and professional staff involved who cannot be easily exchanged with regular administrative grades in other Government Departments.

Completion of major works

- 4.3 The Committee acknowledged that a number of major works, including flood relief works, had been completed in recent years by the OPW. The Committee was also keen to remind

the OPW that, when these works were completed, the minor works involved with those projects should also be completed in full while the OPW is still on site.

5. Adoption of reports

The Committee noted Vote 10 (Office of Public Works).

Findings and recommendations

Findings

1. There is a high proportion of professional and technical staff employed in the OPW who are due to decentralise to Trim, Co. Meath.
2. A number of flood relief works have been completed successfully by the OPW in recent years.

Recommendations

1. The OPW should ensure that, when decentralisation of its office occurs, sufficient numbers of personnel with professional and technical expertise are retained.
2. The OPW should ensure that, where major works take place, all ancillary works are planned for and completed fully.

**15. Department of Foreign Affairs:
Vote 28 (Foreign Affairs);
Vote 29 (International Co-operation); and
Chapter 8.1 Overseas Development Aid**

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Dermot Gallagher, Secretary General, Department of Foreign Affairs and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 30 November, 2006.

2. The Background

- 2.1 Irish Aid, formerly Development Co-operation Ireland, is a directorate of the Department of Foreign Affairs. It is responsible for the administration of Ireland's programme of assistance to developing countries. The largest proportion of assistance is provided for in Subhead B — Bilateral and Other Co-operation. Expenditure from this subhead in 2005 amounted to almost €340 million. The chapter in the Annual Report of the C&AG concentrated on the arrangements for ensuring that these funds were properly used and accounted for.

3. Accountability Issues

- 3.1 The accountability issues dealt with by the Committee were:-

Aid programmes and expenditure
Evaluation, audit and value for money
Decentralisation.

4. Examination of the issues

Aid programmes and expenditure

- 4.1 The Irish Aid programme comprises grants to third parties such as partner governments, non-governmental organisations, United Nations agencies, other multilateral bodies and aid partners as well as some direct expenditure. Ireland is involved with more than 90 countries but the main focus is directed towards our eight programme countries - Uganda, Tanzania, Ethiopia, Mozambique, Lesotho, Zambia, Vietnam and Timor Leste. Ireland is committed to reaching the UN spending target of 0.7% of GNP by 2012. It is expected that this will amount to expenditure of about €1.6 billion per annum.
- 4.2 The bilateral relationship between Irish Aid and programme countries is governed by individual country strategy plans negotiated between Irish Aid and the relevant national government. The Department's priorities are aimed at the poorest of the poor and the plans that are put in place are focused around the achievement of sustainable poverty reduction targets and are typically reviewed every three years. The percentage of aid channelled

through government institutions at national and local government level was 68% in 2003, 74% in 2004 and 72% in 2005.

Evaluation, audit and value for money

- 4.3 The Evaluation and Audit Unit (EAU) is an independent unit within the Department of Foreign Affairs. Its mission is to provide an independent evaluation and audit function and to contribute to policy development within the overall assistance programme. The Department has acknowledged that as the Irish Aid programme grows so too does the need for evaluation and audit capabilities. The unit produces an annual Consolidated Audit Report, which covers direct expenditure by Irish Aid and the disbursement of grants to development partners. Its role is also to inform line management, support the Audit Committee in its oversight of the audit and evaluation function and assist the annual audit by the Office of the Comptroller and Auditor General.
- 4.4 Audit findings are classified by the EAU according to the level of seriousness. The most serious breaches are, for example, a lack of supporting documentation for expenditure; a lack of tendering for contracts or comparative quotations; unauthorised expenditure; use of funds for other than the intended purpose; weak internal controls; and discrepancies in stores. The key to tackling these problems, according to the Department, is to act with partners with the intention of improving the overall financial management and accountability of all partners. The aim is to work with other donors to support the implementation of ongoing public sector financial management and administrative reform processes. The Department also recognises the importance of the work undertaken by the local auditors general.

Decentralisation

- 4.5 Irish Aid was due to begin to decentralise in late 2006 and 2007. This will involve the movement of 124 posts to Limerick. The Committee was informed that some problems remain in relation to the transfer of certain technical and specialist staff. The point was also made that staff interested in working in the aid area of the Department will have to gain experience in both Dublin and in Limerick as well serving abroad in the diplomatic corps.

5. Adoption of Accounts

The Committee noted Vote 28 (Foreign Affairs) and Vote 29 (International Co-operation) and disposed of Chapter 8.1 - Overseas Development Aid.

Findings and recommendations

Findings

1. The Department has reached its interim target figure of spending 0.5% of GNP on development aid in 2007. The target figure for 2012 is 0.7%.
2. The Department does a reasonably good job in controlling the disbursement and use of funding in what is often an extremely difficult operating environment.

3. 70% of aid is disbursed through partner governments.
4. The Department is actively addressing the task of moving more than 120 posts to Limerick as part of the decentralisation programme.

Recommendations

1. The Department should ensure that the systems of evaluation are developed in line with the commitments to increase the percentage of national income to be given in aid.
2. The Department should ensure that key expert personnel are *in situ* and trained in Irish Aid prior to decentralisation to Limerick.

16. Department of Agriculture and Food Vote 31 (Agriculture and Food); Chapter 10.1 - Single Payment System; and 10.2 - Staff Savings

1. Proceedings of the Committee

- 1.1. The Committee heard evidence from Mr Tom Moran, Secretary General, Department of Agriculture and Food and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 16 November 2006.

2. The Background

- 2.1 The Committee considered, firstly, Chapter 10.1 and 10.2 of the Annual Report of the Comptroller and Auditor General 2005: Single Payment System and Staff Savings; and secondly, Vote 31 (Agriculture and Food).
- 2.2 The Single Payment System (SPS) was introduced in 2005 as part of the new measures agreed to reform the Common Agricultural Policy. It involved decoupling payments from production and consolidating a range of scheme-based payments into one single payment. The Department found it necessary to both adapt existing ICT systems and develop new ones in order to introduce the new scheme. Total development costs to end 2005 were almost €5m with additional costs to follow of approximately €2.7m for support, maintenance and change requests.
- 2.3 It was anticipated that the introduction of the SPS as well as falling disease levels in animals would lead to a reduction of more than 500 staff.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:

- Cross compliance
- Sanctions
- Force majeure
- Staff numbers
- Disease eradication
- Tribunals.

4. Examination of the issues

Cross compliance

- 4.1 The reform of the CAP has involved single payments to individual farmers but in return a range of public good provisions relating to the environment, animal and food safety have been introduced. The checks involved prior to the payment of the single premium are more detailed and far reaching. The whole system must be administered and controlled centrally but at the same time implemented at farm level.

- 4.2 The Committee was also keen to point out that minor errors made in making applications should not result in disproportionate penalties in terms of payments received. There is a 100% check on eligibility and all changes in the land owned by farmers will affect applications. In carrying out its checks on eligibility, the Department is obliged to ensure that the huge amount of funds that come from the EU are not disallowed. At the same time the Department is, on an ongoing basis, attempting to persuade the EU Commission to adapt a system that is less complex.
- 4.3 In November 2006 the average rate of a single payment was €10,000. 83% of herd owners receive payments of less than €15,000 which amounted to €534 million. A handful of farmers were paid approximately €500,000.

Sanctions

- 4.4 Applicants who are non-compliant with the terms of the scheme suffer sanction. The sanction is a function of the level of infringement. In 2005, 20% of applicants were subject to a penalty. The amount withheld from farmers amounted to €325,000, or 0.029% of the envelope available to Ireland.

Force majeure

- 4.5 The *force majeure* system was introduced to compensate farmers who suffered exceptional circumstances that adversely affected their entitlement. The Department examined all such cases systematically. Applications under *force majeure* were mainly accommodated in cases of death or serious illness to farmers during the time that they were building up their entitlements to direct payments. The impact of herds badly affected by disease was also taken into account.

Staff numbers

- 4.6 The introduction of the single premium payment, the further development of ICT systems and the continued reduction of disease levels in animals should lead to a reduction in staff numbers of more than 500 within the Department. This reduction in staff levels will occur in Dublin, in the major de-centralised centres and in local offices. The biggest challenge in relation to staff surpluses is caused by the wide geographical spread of staff across the country and the presence of specialist grades at some locations. The solution of this problem has been greatly helped by inter-departmental co-operation involving the Department, the Department of the Environment, Heritage and Local Government, the Office of the Revenue Commissioners and An Garda Síochána.

Disease eradication

- 4.7 Disease eradication in farm stocks and food safety go hand in hand. The Department is satisfied that there has been a reduction in the levels of tuberculosis, bovine spongiform encephalopathy and BSE. A consequence of the reduction in the levels of disease is the increase in demand for Irish beef from markets abroad. 90% of beef is now exported within Europe and the increase in the quality of the product is the key to success. The producer is

following the market and the consumer is keen to have quality and safety which in turn feed back into production at the primary level. The movement away from headage payments towards market orientated methods of production mean that the emphasis for the producer is on the market rather than on the subsidy.

Tribunals

- 4.8 The Committee was informed that €52,000 was paid in respect of the beef tribunal in 2005 and that the costs for 2006 were expected to amount to €147,000. The Committee was further informed that amounts owing to the tribunal were not yet completed and that the Department could not, as a result, put a final figure on the total cost.

5. Adoption of reports

The Committee noted Vote 31 (Agriculture and Food) and disposed of Chapter 10.1 – Single Payment System and 10.2 – Staff Savings of the Annual Report of the Comptroller and Auditor General, 2005.

Findings and recommendations

Findings

1. The introduction of the single payment system was the single biggest change in the operation of the EU's Common Agricultural Policy. The Department, in spite of a tight deadline for its introduction, planned its approach to the tasks well and implemented them in a satisfactory manner.
2. The new system involves annual payments amounting to €1.2 billion being made to 130,000 farmers.
3. A consequence of the single payment system is that the new scheme will, in the long run, require fewer administrative staff than the range of schemes that it has replaced.
4. The total amount not paid to farmers in 2005 due to non compliance with the terms of the scheme was €325,000, or 0.029% of Ireland's envelope.
5. The Department is largely on course to achieve its staff reduction target.
6. The Department is still making payments to the beef tribunal.
8. There has been a major change away from an emphasis on headage payments and towards a market consumer driven method of production.

Recommendations

1. Efforts should continue to be made to simplify the way in which applications for SPS are made so that farmers are not unjustly penalised for genuine minor errors.
2. It is imperative that professional, technical and administrative staff, formerly working on schemes that have been replaced by the SPS, are deployed in the most efficient and effective way possible so as to ensure that nugatory costs are minimised.
3. The Department, in conjunction with the Department of Finance, should continue to work to achieve an alignment in their respective figures of the numbers of staff needed.
4. The Department should continue to encourage primary producers to follow consumer driven markets by improving the quality of their products.

17. Department of Community, Rural and Gaeltacht Affairs Vote 27 (Department of Community, Rural and Gaeltacht Affairs); and Chapter 7.1 - Agency Services: Control of Advances to Pobal

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Gerry Kearney, Secretary General, Department of Community, Rural and Gaeltacht Affairs and his officials; from Ms Sylva Langford of the Office of the Minister for Children; from officials of the Department of Finance; and from the Comptroller and Auditor General on 14 December 2006.

2. The Background

- 2.1 Two specific items were considered by the Committee. Firstly, Chapter 7.1 of the Annual Report of the Comptroller and Auditor General: Agency Services – Control of Advances to Pobal; and secondly, Vote 27 (Department of Community, Rural and Gaeltacht Affairs).
- 2.2 Pobal (formerly the Area Development Management Ltd) is not-for-profit company with charitable status initially set up in the 1990s to manage programmes on behalf of the Irish Government and the EU. Following a review undertaken in 2003 the Government reformed it so that accountability issues could be addressed; its role as a delivery agent for Government programmes could be clearly defined; and to allow for a Board and a Chairman to be appointed by the Government. It operates under the ambit of the Department of Community, Rural and Gaeltacht Affairs. Pobal has no independent source of funding. Its funds are obtained from contractual arrangements entered into between it and State agencies in respect of the programmes under its management.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:

- Management of Pobal's finances
- Drugs initiatives
- Rural Social Scheme
- Gaeltacht matters.

4. Examination of the issues

Management of Pobal's finances

- 4.1 Pobal's financial statements for 2005 showed that it had received cash advances of €174 million in the year, of which €10.5 million went on administration costs. In addition, the statements indicate that, at 31 December 2005, the company held balances on behalf of Departments and the Dormant Accounts Fund Disbursements Board amounting to approximately €34.5m. It had cash balances of some €37m at that time (an increase of €12m on 31 December 2004) and earned €700,000 in bank interest on foot of these cash

balances. The amount of interest earned suggested that it had a daily average of the order of €20m on deposit throughout the year. In short, it was clear that the advances made to Pobal were greater than what was needed to make payments under its various programmes.

- 4.2 The Department of Community, Rural and Gaeltacht Affairs and the Department of Justice, Equality and Law Reform informed the Committee that advances were made to Pobal on the basis of contractual arrangements particular to individual programmes. In addition, the Departments pointed out that it was also necessary to allow for the period that it took for Pobal to drawdown funding.
- 4.3 Consequent to what had occurred, it was found that by the end of 2005 Pobal had accumulated cash balances of €37 million, including €700,000 in bank interest. Charges initially shown on the programmes' subheads in the appropriation accounts were overstated. If left uncorrected, it would have resulted in the surplus to be surrendered to the Exchequer being understated by €32 million in total. The Departments, following discussions with the Comptroller and Auditor General, agreed to make the required adjustments to the appropriation accounts which resulted in the correct surpluses being surrendered.
- 4.4 Both of the Departments involved acknowledged that there was a need to review the procedures involved with the drawdown of funding. To that end, discussions took place with the Department of Finance and specific steps have been taken by way of better cash flow management and enhanced drawdown arrangements. Funds are now disbursed to Pobal strictly in accordance with these amended procedures which themselves will be kept under review.

Drugs Initiatives

- 4.5 The Committee acknowledged that the four main pillars of the drugs strategy, namely, supply reduction, prevention, treatment and research were valuable aims but the Committee also recognised that the impact on these and on the fifth pillar, rehabilitation, needed to be improved. This was also the view of the group that undertook the mid-term review of the national drugs strategy which was completed in 2005.
- 4.6 The increase in drugs seizures in the year preceding the meeting only appeared to indicate that the quantities of different drugs were on the increase. This was due to international evidence that points to the fact that the quantity of drugs seized by the authorities is a direct function of the amount being supplied.

Rural Social Scheme

- 4.7 The Minister for Finance announced, in the Budget for 2004, the establishment of a rural social scheme (RSS), to provide income for part-time farmers and fishermen in the provision of services of benefit to local communities. The Department advised that in 2006 expenditure on the rural social scheme was in excess of €40 million, comprising €24 million in Exchequer funding and approximately €16 million from the dormant accounts fund. In December 2006 there were 2,585 participants, spread across 25 counties, in the scheme. Experience of the scheme to date has shown that real social benefit has accrued to

rural communities and that its structure enables the participants to continue with their part-time farming or fishing activities.

Gaeltacht matters

- 4.8 The European Council made a landmark decision to afford recognition to Irish as an official and working language of the EU. Work continued on the major sociolinguistic study of the Gaeltacht, as did the increased emphasis, both by the Department and by Údarás na Gaeltachta, on language planning and language-centred activities in the Gaeltacht. Work also continued during 2005 to improve infrastructure and advance employment in Gaeltacht areas and to support enhanced access and development works on our inhabited offshore islands.
- 4.9 The Committee was keen to check the progress that has been made to date in relation to the study being undertaken on the Irish language. The Department informed the Committee the study is due to be finalised in 2007.
- 4.10 The Committee was concerned at the fact that accurate maps of Gaeltacht areas were not available. This issue had led to problems in the past and the Committee was keen that the Department would have accurate information available to it at all times.

5. Adoption of reports

The Committee noted Vote 27 (Department of Community, Rural and Gaeltacht Affairs) and disposed of Chapter 7.1 – Agency Services: Control of Advances to Pobal, of the Annual Report of the Comptroller and Auditor General, 2005.

Findings and recommendations

Findings

1. At the end of 2005 Pobal had accumulated approximately €35 million, of which, €700,000 was interest earned.
2. Advances in funding made to Pobal during 2005 were significantly greater than the funds needed by Pobal to meet payments under the programmes administered by it.
3. Following discussions with the Department of Finance new procedures were introduced for approving drawdown requests for funds from Pobal.
4. Drugs task forces continued their work during 2005 and implemented plans at both local and regional levels.
5. Whilst the pillars of the drugs strategy are worthy objectives experience on the ground indicates that the problems caused by drug abuse have caused serious levels of hardship among some communities.

6. There are more than 2,500 people involved in the rural social scheme which has benefited both individuals and communities alike.
7. Reports suggest that all Gaeltacht areas are not clearly and accurately mapped.

Recommendations

1. Systems should be put in place to evaluate whether the services being provided with the assistance of Pobal are delivering value for money.
2. The new procedures introduced for approving drawdown requests for funds from Pobal need to be reviewed on an ongoing basis so as to ensure that the systems in place will result in money being forwarded to bodies only when it is required to meet liabilities.
3. Reviews of drugs strategies currently being undertaken should include definite proposals aimed at counteracting the problems caused by abuse.
4. Gaeltacht areas should to be definitively and accurately mapped as a matter of priority.

**18. Department of the Environment, Heritage and Local Government:
Vote 25 (Environment, Heritage and Local Government);
Chapter 5.1 - Landfill Targets;
Local Government Fund 2005; and
Environment Fund 2004 and 2005**

1. Proceedings of the Committee

- 1.1 The Committee heard evidence from Mr Niall Callan, Secretary General, Department of the Environment, Heritage and Local Government and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 22 February, 2007.

2. The Background

- 2.1 Chapter 5.1 reported on the steps that have been taken to meet the targets set by a 1999 EU directive that requires member states to reduce the amount of biodegradable municipal waste being sent to landfill. The reduction was set with reference to the total amount, by weight, of biodegradable municipal waste generated in 1995.
- 2.2 In terms of Vote 25, expenditure by the Department, over a wide range of subjects, amounted to €3.239 billion. A number of aspects of that expenditure were considered by the Committee.
- 2.3 The Environment Fund Account, which was established in 2001, was considered for the first time by the Committee. The Local Government Fund was also discussed.

3. Accountability Issues

- 3.1 The accountability issues considered by the Committee were:-

- Waste management
- Tribunals
- Electronic voting
- Rental Accommodation Scheme.

4. Examination of the issues

Waste Management

- 4.1 Biodegradable municipal waste (BMW) is waste that is capable of undergoing decomposition over time through natural processes. It comprises household waste as well as commercial and other waste which, because of its nature or composition, is similar to waste from households. It is typically made up of organic waste such as food and garden

material, together with other biodegradable materials such as paper and cardboard, wood and textiles.

- 4.2 While the overall percentage of BMW going to landfill has been reducing, the volume going to landfill continued to increase in the period 1995 to 2004. It would appear, therefore, that there is a significant risk that Ireland will fail to meet the targets set down in the Landfill Directive which may lead to financial penalties from the EU.
- 4.3 It is generally recognised that good progress has been made in diverting waste away from landfill in recent years mainly by way of recycling initiatives. The Committee noted that the national target of recycling 35% of municipal solid waste by 2013 will be surpassed having been reached in 2005. Further, in the past ten years the number of landfill sites has reduced from around 200 to about 30. The nation is, however, at the same time producing more biodegradable municipal waste. According to figures from the EPA, a greater volume of such waste was consigned to landfill in 2005 than was the case in 2001 or even in the base year of 1995. In numerical terms, more than 1.3 million tonnes went to landfill in 2005. However, the ultimate target to be met by 2016 - or 2020, if we invoke the four-year derogation - is 451,000 tonnes.
- 4.4 The direct financial consequences of not meeting the targets stem from the possibility of the imposition of fines by the EU Commission. In addition, there are environmental and health implications of the continuing resort to landfill as the default option. These problems are recognised by the Department and to that end the Environmental Protection Agency has been tasked with developing a waste prevention strategy which will have specific objectives such as a 6% reduction in the biodegradable waste, 50% and 70% rates of coverage for brown bin collections from households and businesses respectively, an increase in home composting by 40%, and an increase in the recycling of paper and cardboard from 46% to 67%. Achieving all of these goals is challenging given that it is necessary to, for example, divert 967,000 tonnes of biodegradable waste from landfill by 2010. These changes are also dependent upon considerable development of the necessary infrastructure.
- 4.5 Concern was expressed by members that, while the diversion away from landfill was primarily the result of consumer behaviour, there appeared to be little being done from the manufacturing, production, wholesale, distribution or retail sectors of the economy.
- 4.6 It was also felt that a lack of consistency in waste collection and recycling among local authorities existed. The Department does not seem to play any role in ensuring there are consistent standards in regard to the setting of targets and seeing how those targets can be met. An inconsistency between local authorities and within local authority areas themselves and the existence of both a public waste collection system and a private system seems to introduce far too many variables for the Department to control in terms of meeting our obligations under the EU directive.
- 4.7 The Committee also highlighted the lack of indigenous facilities for recycling caused, for example, by the loss of the glass-recycling plant in Dublin and the closure of the only paper mill on this island, which was located, in the Northern Ireland. The Department agreed that it would be desirable that the recycling industry should develop further and generate jobs.

The Committee acknowledged that this is beginning to happen in regard to electrical and electronic waste.

Tribunal costs

- 4.8 The cumulative cost of the Tribunal of Inquiry into Certain Planning Matters and Payments to the end of 2005 was €46 million and had risen to €62 million by the end of 2006. The Department confirmed that €7 million had been paid out in third-party legal costs but pointed out that the process of negotiations that it had entered into on claims had resulted in a 23% reduction in the amount paid – the gross bill for the claims was initially €9.18 million.
- 4.9 While up to now the Department has always made adequate provision in its Estimates for the cost of the tribunal, the Committee was also informed that the final cost of the tribunal was not known. Members were keen that the Department should acknowledge in its accounts that there is a contingent liability and estimate, in so far as it can, what that contingent liability might be.

Electronic voting

- 4.10 The ongoing cost of storing electronic voting machines is €700,000. The Committee was further informed that the Department is in the process of consigning approximately 4,000, or 60%, of the machines to a storage facility provided by the Army at Gormanston Aerodrome, Co. Meath. The Army is not providing the transport; that is being taken care of by the Department in co-operation with the Office of Public Works. At the time of the meeting 1,800 of the machines had been transferred to Gormanston. The movement of machines stored at the more expensive facilities was given priority.
- 4.11 It was acknowledged that there are arrangements outstanding with regard to ongoing rents between some of the returning officers and those renting accommodation to them. In a few cases there are long extensions on the leases. Returning officers should negotiate their way out of those arrangements in the most economical way possible. The Department, in conjunction with Office of Public Works, are to engage a property specialist to minimise the cost of the exit terms.

Rental Accommodation Scheme

- 4.12 The main purpose of the scheme is to assess households in receipt of rent supplement who are deemed to have long term housing needs and to ensure that they have appropriate housing support. The Committee was informed that the scheme had progressed from its pilot stage to become fully operational in about 15 local authority areas. Initially, there was a problem with sourcing sufficient high-quality rented accommodation but by January 2007 more than 5,000 households had been transferred through the scheme to voluntary housing, local authority social housing or to privately owned accommodation under contract to the local authority.

- 4.13 The Committee was informed that the bulk of the 5,000 households referred to above were previously in receipt of rent subsidies, eligibility for which was determined by the health boards and more recently the HSE.

5. Adoption of reports

The Committee noted Vote 25 (Environment, Heritage and Local Government) as well as the Local Government Fund 2005 and the Environment Fund 2004 and 2005. It disposed of Chapter 5.1 of the Annual Report of the Comptroller and Auditor General, 2005.

Findings and recommendations

Findings

1. While progress has been made in diverting waste from landfill in recent years the amount of biodegradable municipal waste being produced poses a significant challenge to the State being able to meet the targets set by the EU. Failure to meet these targets could lead to the imposition of fines by the EU Commission and have detrimental implications on health and on the environment.
2. The cost of the Tribunal of Inquiry into Certain Planning Matters and Payments up until the end of 2006 is €62 million. The Department are unable to estimate with any certainty the final cost of the tribunal.
3. The annual cost of storing electronic voting machines is €700,000. Most of the machines are being moved to a central storage facility provided by the Permanent Defence Forces at Gormanston, Co. Meath.
4. The Rental Accommodation Scheme (RAS) is now operational as a mainstream scheme. The bulk of those housed in 2006 under the scheme were formerly in receipt of rent subsidies from the health boards and the HSE.

Recommendations

1. The Department should set meaningful targets in the manufacturing, production, wholesale, retail and distribution sectors of the economy in respect of the minimisation of waste and the transfer away from landfill facilities.
2. In relation to the Tribunal of Inquiry into Certain Planning Matters and Payments the Department should acknowledge in its accounts that there is a contingent liability and estimate, in so far as it can, what that contingent liability might be.
3. The Department should ensure that leases entered into for the storage of electronic voting machines are cancelled with the minimum cost to the State.

4. The Department, in over-seeing the operation of the Rental Accommodation Scheme, should endeavour to maximise the increase in the number of housing units being provided nationwide rather than merely accommodating those who previously had been in receipt of rent allowances from the various health authorities.

